The Board of Executives' Report on the business activity of BNP Paribas Bank Polska SA in 2012

BNP PARIBAS | Bank zmieniającego się świata

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1. SUMMARY OF THE BUSINESS ACTIVITY OF BNP PARIBAS BANK POLSKA SA IN 2012

BNP Paribas Bank Polska SA (hereinafter referred to as "the Bank") is part of BNP Paribas SA, an international financial institution based in Paris.

Mission | **Responsible banking for a changing world**

1.1. Financial and business highlights in 2012

For the BNP Paribas Bank Polska SA, 2012 was a challenging year with ongoing restructuring and changes. The Bank closed 2012 with a profit after taxation in the amount of PLN 29 million i.e. by 39% higher in comparison to the result for 2011.

Development of the Bank in 2012 and conditions underlying its growth:

- **2% decrease in net loans to customers** caused predominantly by the zloty appreciation against the currencies in which a part of loan portfolio is denominated, sale of a portion of uncollectible receivables' portfolio, and economic slowdown;
- **Improved structure of the Bank's funding –** 12% increase of deposits from clients, thanks to which some loans taken from the BNP Paribas group could be repaid. Further to that, maturities of loans granted by the BNP Paribas group were extended;
- **Better capital situation of the Bank** – capital adequacy ratio is at 14.46%. In June 2012, the Bank's own funds were raised by nearly PLN 260 million owing to the realisation of a share issue which was fully subscribed by the majority shareholder;
- **4% increase in the net banking income** related to the higher net trading income and net profit/loss on available-for-sale financial assets, as well as the dividend received from the subsidiary, Fortis Lease Polska Sp. z o.o. in the amount of PLN 22 million;
- **8% increase in the Bank's staff costs** incurred mainly as a result of creating one-time provision in the amount of PLN 13 million related to costs of the employment redundancy plan of the restructuring programme, transformations of the franchisee outlets into the Bank's own branches;
- **11% drop in depreciation costs;**
- **Initiation of the cost optimisation programme -** other general expenses dropped by 7% as compared to 2011;
- **Continuation of the prudent risk management policy** - cost of risk continued to be a priority attention point for the Bank in 2012. Although the cost of risk related to the new business model applied by the Bank since 2009/2010 was kept at a very low level, the Bank created additional provisions on account of methodology changes which to a large extent concerned the consumer credit portfolio of the former Dominet Bank, which contributed to the increase of the Bank's cost of risk in 2012.
- **Improved quality of the loan portfolio** - the share of non-performing loans in the total loan portfolio of the Bank fell from 12.7% recorded at the end 2011 to 11.3% at the end of 2012;

1.2. External factors which influenced the operations and development of the Bank in 2012

The mood on global financial markets has been steadily improving from the middle of last year. Following the second parliamentary elections in Greece, which produced a reform-minded government in June, and ECB announcing its new bond buying program (Outright Monetary Transactions) in August, the risk of further escalation of the eurozone crisis has been contained. In September the ESM (European Stability Mechanism) had become operational, highlighting further progress towards a closer integration within the eurozone. Also in September, another round of Quantitative Easing was launched in the US, which also contributed to improving risk appetite on financial markets.

While financial markets did perform well last year, the situation in the real economies across the world had been more challenging. According to the latest IMF estimates, global growth slowed to 3.3% y/y from 3.8% y/y in 2011, while the eurozone's economy contracted by 0.5% y/y. The fall in eurozone's GDP was primarily driven by tighter fiscal policies in the troubled peripheral countries; however, also Germany did suffer a slowdown due to a weakening in the global manufacturing cycle. Looking ahead, the improvement in leading indicators suggests a gradual pick-up of economic activity from Q2 2013 onwards. A smaller, compared to 2012, scale of fiscal consolidation across the eurozone also points to less headwinds to growth. Nevertheless, in light of substantial negative carry-over effects, the eurozone's GDP is expected to contract by 0.4% y/y also in 2013, especially as the pace of recovery will remain fairly modest in the latter half of 2013.

1.2.1. The Polish economy in 2012

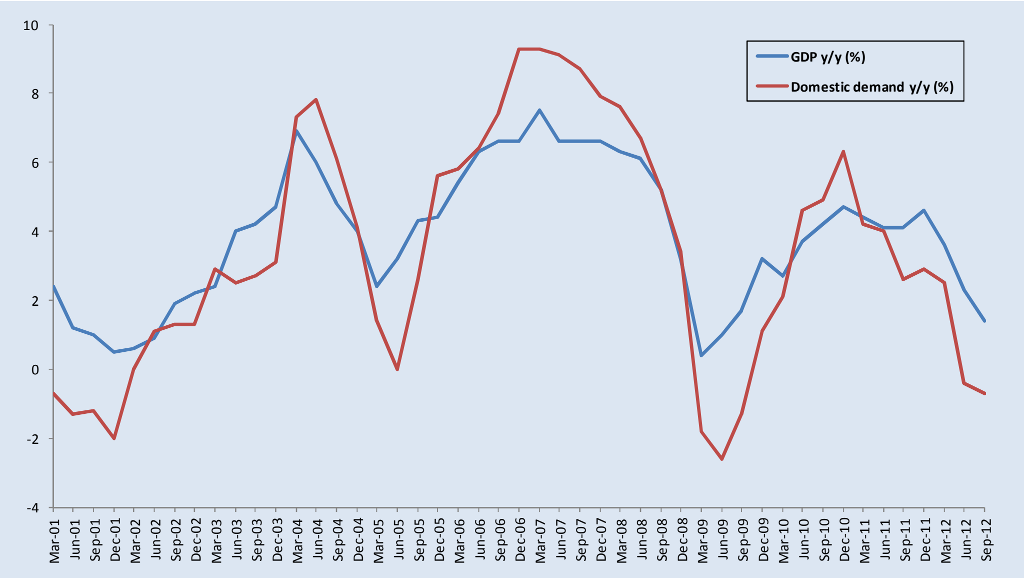
GDP growth rate and components

The Polish economy had been steadily slowing in 2012, with the slowdown being driven by both the recession in the eurozone, undermining exports, as well as a tighter fiscal policy, and lower public sector investment spending in particular. The pace of GDP growth weakened from 3.6% y/y in Q1 to 1.1% y/y in Q4 2012. Overall, the Polish economy had grown by slightly more than 2.0% y/y last year with net trade being the key contributor for growth. Domestic demand has been falling in y/y terms from Q2 2012, driven chiefly by shrinking investments and inventories. Also consumption has been falling in H2 as both government and private spending declined. The tightening of lending conditions served as additional drag on domestic demand. Declining investment intentions by the corporate sector, as shown by the latest NBP surveys, falling real disposable income and an already very low households' savings rate suggest further weakness in domestic demand over the next coming months.

The slowdown intensification in the second half of 2012 is well manifest by the evolution of industrial production, construction output and retail sales data. On average, industrial production rose by 1.4% y/y last year, but while in H1 production increased by 3.8% y/y, it fell by 0.7% y/y in the second half of 2012. Construction output, which on average fell by 0.7% y/y in 2012, had risen by 9.5% y/y in H1 before contracting by a heavy 10.9% y/y in the remainder of the year. Nominal retail sales rose on average by 6.4% y/y in 2012, but again the first half of the year growth was much stronger (+9.7% y/y) than during the July-December period (only +3.2% y/y).

The much weaker second half of the year, Q4 in particular, points to a very soft start for the economy in 2013. While we expect growth to be gradually picking up over the course of the year and in line with the European cycle, on average the economy will grow by no more than 1.5% y/y this year.

Chart 1. *Gross domestic product and domestic demand growth rates in 2001-2012 (Source: Reuters EcoWin)*



Labour market

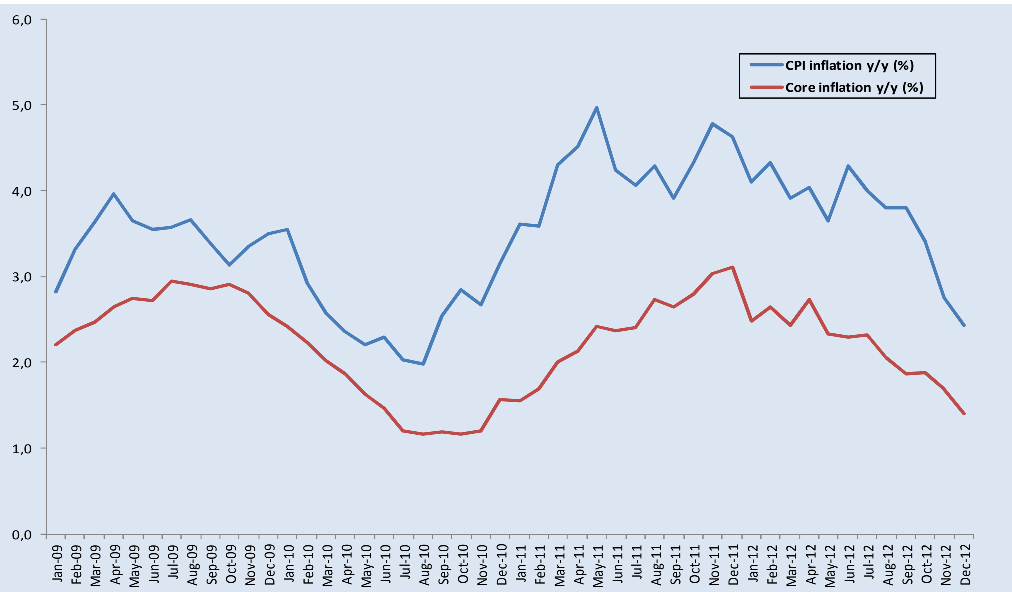
Slowing economic activity reduced the demand for labour. As of December 2012, employment in the corporate sector has fallen by 0.5% y/y, while the unemployment rate has risen to 13.4%, some 0.9pp higher than in December 2011. Despite a substantial 8.2% increase of the minimum wage, gross wages in the corporate sector have risen last year by merely 3.5% y/y, i.e. below the average rate of CPI inflation. Continued weakness in the economy and low hiring intentions in the main sectors of the economy point to further drop in employment and very weak wage growth in 2013.

Inflation

CPI inflation has started last year at a high level of 4.1% y/y in January and was averaging 4.0% y/y in the first three quarters of last year, boosted mainly by food, fuel and energy prices. It has reached a peak of 4.3% y/y in June, mainly on the back of higher prices during the EURO 2012 Football Championships co-hosted by Poland. However, the steady decline in demand pressure, coupled with the strengthening zloty and lower commodity prices on international markets, pushed headline inflation sharply lower in the final months of 2012. In December, CPI inflation has fallen to 2.4% y/y, i.e. below the NBP target of 2.5%. Core inflation (excluding food and energy) eased to a mere 1.4% y/y by year-end from its annual peak of 2.7% y/y in April, mainly on the back of falling demand.

Low inflation is forecast to continue in 2013 given weak economic activity and sluggish consumer demand. Businesses expect a major deceleration in services prices over the course of the next coming months, while falling producer prices point to very low goods price inflation as well. Additionally, the 10% cut in retail gas prices from January and a freeze of electricity tariffs will also contribute to CPI disinflation this year.

Chart 2. CIP and core inflation (excluding food and energy prices) 2009-2012 *(Source: Reuters EcoWin)*



Balance of payments

The net flow of foreign funds last year was positive and Poland's international reserves had risen to EUR 82.6 billion by December from EUR 75.7 billion in December 2011. The current account deficit for January-November declined to EUR 12.3 billion from EUR 16.1 billion in the same period of 2011, mainly thanks to a narrowing trade deficit – which, in turn, has been chiefly driven by the contraction in the domestic demand. The main factor contributing to the current account deficit was, similarly to 2011, the deficit on the income account which exceeded EUR 15 billion during January-November.

The surplus on the capital account rose in January-November to EUR 8.7 billion from EUR 5.1 billion in the same period of 2011, mainly owing to stronger inflows of EU funds. Capital transfers from the EU reached EUR 6.2 billion in the first three quarters of 2012, compared to EUR 4.7 billion in Q1-Q3 2011, while the cumulative 11-months surplus on the financial account fell to EUR 14.4 billion from EUR 19.4 billion in 2011. The declining surplus on the financial account was primarily driven by "other foreign investments", which posted a EUR 6.4 billion deficit, compared with a EUR 635 million surplus in January-November 2011. This has reflected mainly the de-leveraging processes by European banks present on the Polish market. Also net FDI flows declined to EUR 3.8 billion from EUR 7.7 billion in the same period of 2011. Rising portfolio flows (EUR 14.9 billion, compared to 11.5 billion in January-November 2011) were boosted by heavy net foreign inflows into debt securities (EUR 12.9 billion, compared to EUR 8.9 billion in the same period of 2011), reflecting the strong global bond market sentiment in the second half of last year.

Looking ahead, the current account deficit is forecast to further reduce in 2013, driven by steady improvements on the trade balance, supported by a gradual recovery in exports and still relatively weak imports. According to the Budget Law for 2013, EU Funds inflows (both Capital and Current Transfers) are expected to increase to a record high of PLN 81.4 billion this year from PLN 72.6 billion in 2012.

Public finances

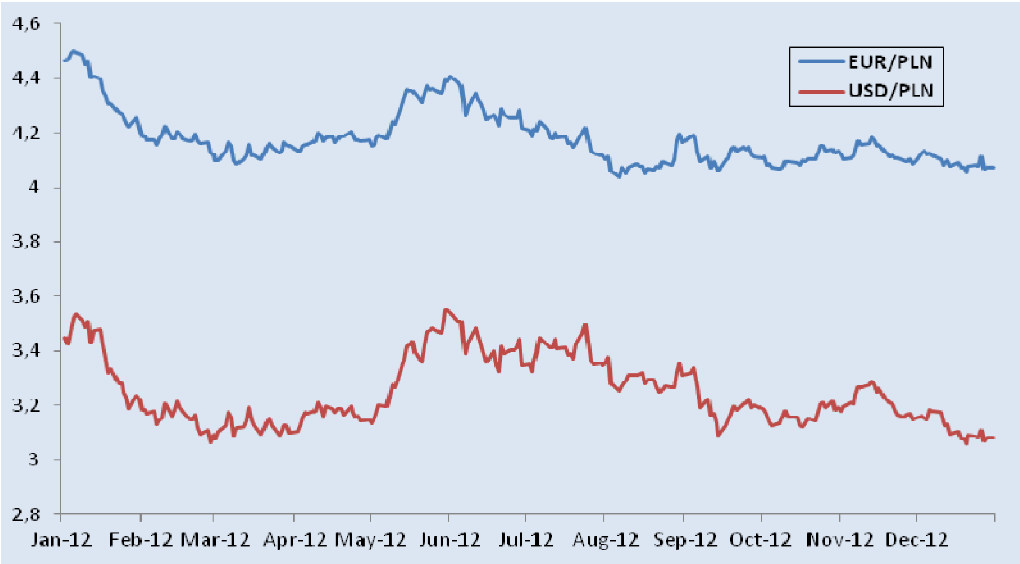
Discretionary fiscal tightening has been continued in 2012 and the broad general government deficit is forecast to ease to around 3.5% of GDP from 5.0% of GDP in 2011, despite the sharp slowdown in economic growth. The central government budget deficit is seen comfortably meeting the target of just below PLN 35 billion; after November, the cumulative shortfall amounted to PLN 30.5 billion. The government remains committed to further deficit reduction in 2013, albeit at a slower pace than last year. According to the Budget Law, the central government budget deficit must not exceed PLN 35.6 billion, and the general government shortfall will decline to around 3.1% of GDP this year. Consequently, given a declining deficit vs. GDP ratio, public debt in relation to GDP is seen falling from 53.5% (according to local accounting rules) to 52.5% in 2012 and below 52% in 2013.

A weaker-than-assumed growth profile in 2013 will be a challenge for public finances, although it is worth noting that the budget's cyclical component is relatively small at about 0.4, i.e. 1 pp slower GDP growth would raise the general government deficit ratio by merely 0.4pp of GDP.

Foreign exchange rate

The positive flow of funds has underpinned zloty strength over the course of last year, with a brief correction in May-June reflecting market's uncertainty around the time of parliamentary elections in Greece. A strengthening correlation between debt portfolio flows and the exchange rate supported the appreciation of the zloty from its levels of nearly 4.50 against the euro in January 2012 to less than 4.10 by year-end. Accordingly, against the US dollar the zloty firmed from 3.50 to less than 3.10 and against the Swiss franc from 3.70 to less than 3.40.

Chart 3. USD/PLN and EUR/PLN rates in 2012 *(Source: Reuters EcoWin)*



Interest rates and bond rates

In response to high inflation in the early part of the year, the Monetary Policy Council raised official interest rates by 25bp in May, lifting the main reference rate to 4.75%. However, as economic activity slowed and inflation started to ease swiftly, the move has been reversed in November and by December the MPC delivered another 25bp cut reducing the main reference rate to 4.25% by year-end. The monetary easing cycle continued in January and February 2013 and further interest rates cuts are forthcoming in light of bold disinflation and weak economic growth. The current market expectations are for the main reference rate being reduced to 3.00-3.25% by late 2013.

Improving risk appetite and strong foreign inflows into Polish Treasury Securities led to a major decline in bond yields over the course of last year. The yield on the 10y note fell from nearly 6.00% in January to less than 3.75% by year-end, while the yield on the 2y note eased from 4.80% levels to less than 3.15%. The start of the easing cycle has sustained the positive momentum on the bond market in the final weeks of last year, however, as of early 2013 yields did correct to the upside rising by some 20bp across the curve.

1.2.2. Banking sector in 2012

Weakening growth and the slump in the construction activity in particular, as well as continued de-leveraging made the economic environment more challenging for banks. Bankruptcies of several major construction companies raised the ratio of impaired loans to 11.4% by November from 10.4% at the start of last year. The net outflows from the domestic banking sector amounted to EUR 3.9 billion in 2012, compared to EUR 1.7 billion in 2011, according to NBP balance of payments data. The worsening economic situation has been reflected by slowing credit and deposit growth rates. By December 2012, overall deposit growth slowed to 4.7% y/y from 11.7% y/y at the end of 2011, while credit growth improved by mere 2.3% y/y versus 14.4% y/y in December 2011 with tighter lending standards reported by banks being an additional factor.

The falling profitability of the corporate sector has triggered a fall in corporate deposits of 7.6% y/y by year-end, while corporate credit growth, usually lagging behind the economic cycle, slowed to 3.5% y/y, which points to a further weakening of lending to companies in the coming months. The slowdown in nominal income growth was reflected by weakening deposit growth of households to 7.7% y/y in December, while credit growth basically stagnated at around zero in November-December. The only part of households loans, which maintained positive growth dynamics were housing loans in PLN (+18.4% y/y). Both the housing loans in FX and consumer credits were falling in y/y terms – respectively, by about 4% y/y, corrected for the impact of the exchange rate, and by 5.1% y/y.

Financial performance of banks

Despite the worsening economic environment, the banking sector performance remained robust in the first three quarters of 2012. Net profits of banks reached PLN 12.1 billion vs. 11.8 billion in the same period of 2011, although the return on equity ratio declined to 13.2% by Q3 2012 from 14.8% in Q3 2011 and return on assets to 1.20% from 1.23% in the respective periods.

Chart 4. Credit facilities and deposits to enterprises *(Source: Reuters EcoWin)*

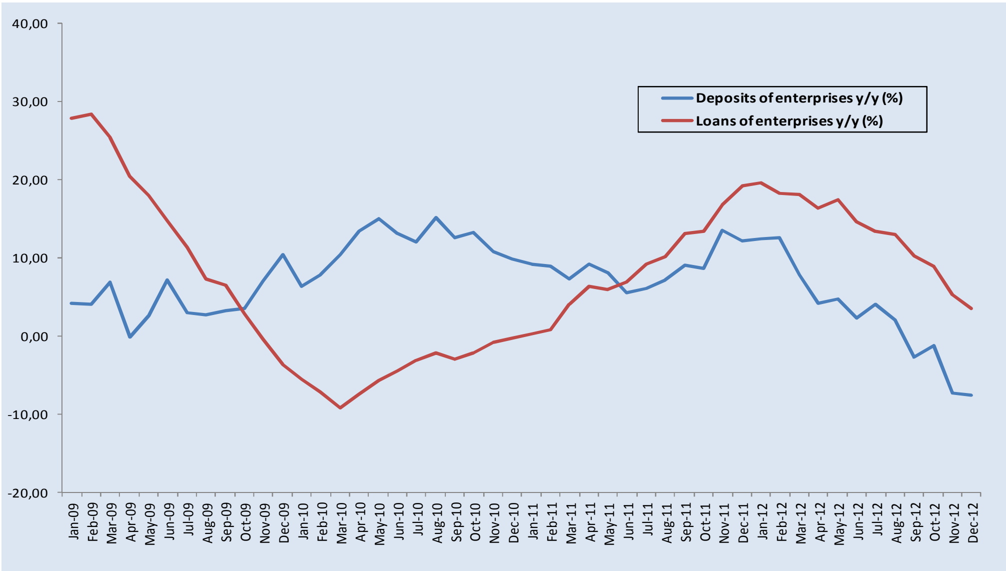
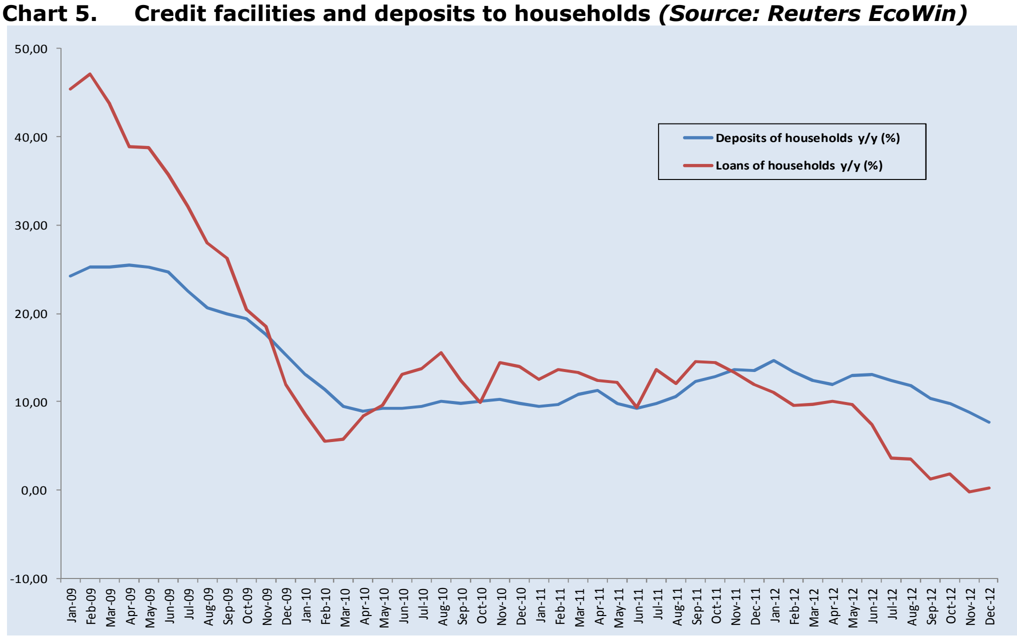


Chart 5. Credit facilities and deposits to households *(Source: Reuters EcoWin)*



1.3. Factors that may affect the Bank's performance in 2013

Key factors that may affect the Bank's future performance include the following:

- deterioration of the global economic situation which has an impact on the Polish economy slowdown,
- possible financial problems of some Polish enterprises which can raise NPLs,
- rising unemployment rate and a decrease in salary purchasing power which can limit demand for consumer and mortgage loans,
- expected further monetary easing which should support investments and consumption,
- evolution of the PLN FX rate versus foreign currencies,
- changes in the costs of the Bank’s funding which depend on the price competition among banks as regards deposit acquisition and the level of PLN interest rates.

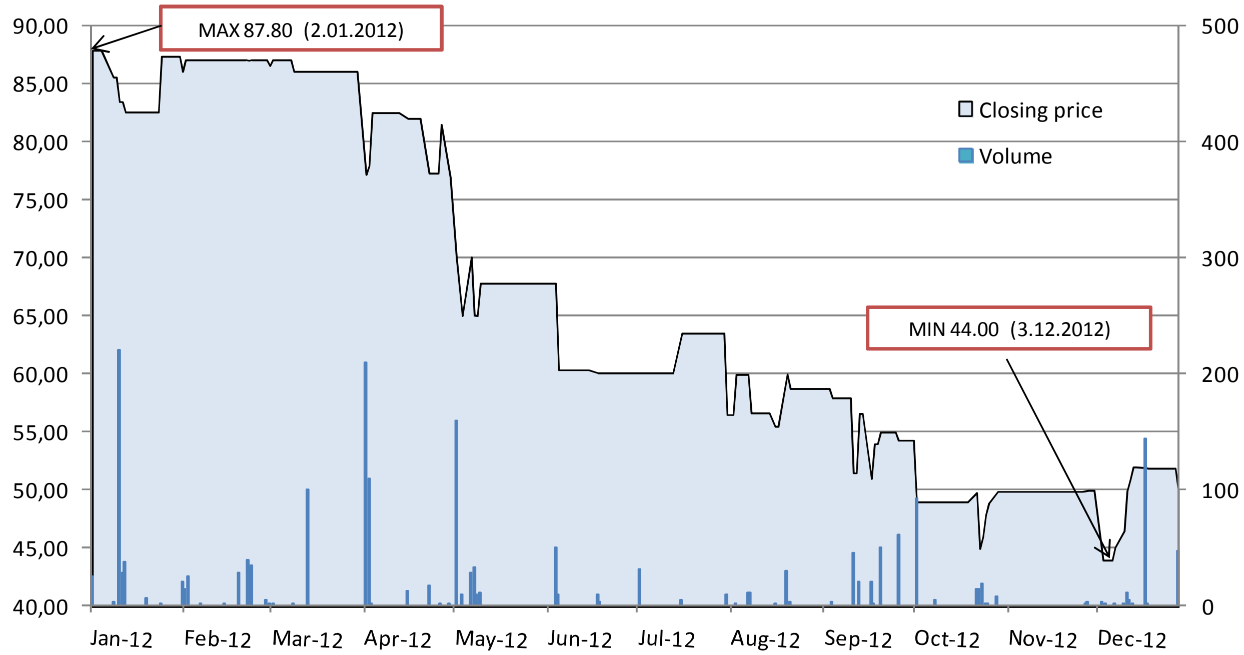
2. STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

The Bank's stock labelled with the ISIN code: PLPPAB000011 has been quoted on the Warsaw Stock Exchange SA in Warsaw (WSE) since 9 November 1994. The Bank's stock quoted under an abbreviated name BNPPL and symbol BNP is classified in the 250 PLUS segment, yet the limited liquidity of the stock excludes it from any indexes.

At the first session in January 2012, the Bank's stock was traded at PLN 87.80. As at 28 December 2012, the Bank's stock price dropped to PLN 50.00, i.e. by 43%. The highest Bank's share price in 2012 was recorded on 2 January 2012, when it stood at PLN 87.80. The lowest Bank's stock price was recorded between 3 and 6 December 2012, when it was PLN 44.00. The average stock price in 2012 was PLN 66 compared to the average price of PLN 119 in 2011.

An average turnover in the Bank's stock was very low - nearly 8 shares per session in 2012 and was lower in comparison to the average turnover recorded in 2011 (over 17.5 shares per session). An average value of the turnover in the Bank's stock per session in 2012 was PLN 0.5 thousand and was lower than the average value of the stock turnover in 2011 of over PLN 2 thousand per session.

Chart 6. Quotations of the Bank's stock from 2 January 2012 to 28 December 2012



WIG, a stock exchange index, rose from 38,318.26 points noted on 2 January 2012 to 47,460.59 points recorded on 28 December 2012 (increase by 23.86%).

WIG-Banks, a sector sub-index, also recorded an increase from 5,543.22 points noted on 2 January 2012 to 6,648.51 points recorded on 28 December 2012 (i.e. by 19.94%).

3. SHARE CAPITAL AND SHAREHOLDER STRUCTURE

3.1. Share capital of BNP Paribas Bank Polska SA

As at 31 December 2012 and as at the publication date of the annual report for 2012, i.e. 8 March 2013:

- the share capital of BNP Paribas Bank Polska SA was PLN 1,434,646,300 - registered and fully paid up;
- total number of shares: 28,692,926 ordinary bearer shares,
- nominal value of 1 share: PLN 50 each.

All the shares of the Bank are bearer ones and entail no particular rights or limits with respect to any transfer of ownership or exercise of voting rights. Each share entitles its holder to one vote at the Bank's general meeting. Shares are entitled to participate in dividends on equal terms.

Series A to K shares were admitted and introduced to public trading.

As at 31 December 2012, the Bank did not undertake any steps to introduce the series L, M or N shares into stock exchange trading yet. It is due to the Bank's intention to combine the introduction of those shares into stock exchange trading with the share free float increase planned for 2013.

The Polish Financial Supervision Authority, taking into account an application filed by the BNP Paribas group, agreed to extend, until the end of 2013, the term for fulfilment of BNP Paribas commitment to increase shares of BNP Paribas Bank Polska SA in free float to at least 15%.

3.2. Series N shares issue under private placement with pre-emptive rights excluded

In 2012, the series N shares were issued under private placement with the pre-emptive rights excluded. The offer to subscribe the Series N shares was addressed to the main shareholder of the Bank i.e. BNP Paribas Fortis SA/NV. Pursuant to the subscription agreement for Series N shares signed on 24 May 2012, BNP Paribas Fortis SA/NV subscribed for all 4,569,420 Series N ordinary bearer shares at an issue price of PLN 56.90 each. The total value of the issue was PLN 260 million. The shares were fully paid up.

As a result of the series N share issue, on 23 June 2012 the Bank's share capital increased from PLN 1,206,175,300 up to PLN 1,434,646,300, i.e. by the amount of PLN 228,471 thousand.

3.3. Information on shareholders holding, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the issuer's general meeting

As at 31 December 2012 and the 2012 annual report publication date, i.e. 8 March 2013, the shareholder structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting was as follows:

Entity name	Number of shares held	% of the share capital	*Share capital (in PLN)*	Number of votes at the general meeting	Share (%) in the total number of votes at the GM
BNP Paribas	**28,661,545**	**99.89%**	***1,433,077,250***	**28,661,545**	**99.89%**
BNP Paribas Fortis SA/NV (former Fortis Bank SA/NV)	*23,418,013*	*81.62%*	*1,170,900,650*	*23,418,013*	*81.62%*
Dominet SA (in liquidation)	*5,243,532*	*18.27%*	*262,176,600*	*5,243,532*	*18.27%*
Minority shareholders	**31,381**	**0.11%**	***1,569,050***	**31,381**	**0.11%**
Total:	**28,692,926**	**100.00%**	***1,434,646,300***	**28,692,926**	**100.00%**

BNP Paribas SA *based in Paris is the parent entity (74.93% shares) of BNP Paribas Fortis SA/NV based in Brussels.*

BNP Paribas Fortis SA/NV *based in Brussels is the parent entity (100% of shares) of Dominet SA*

The last change in the structure of shareholders took place on 23 June 2012 in connection with the registration of the Bank's share capital increase in effect of the series N share issue under private placement.

As a result of the series N share issue acquisition, the stake of BNP Paribas Fortis SA/NV increased from 78.13% to 81.62% of the total number of shares and votes, i.e. by 3.49 pp. On the other hand, the stake of Dominet SA went down by 3.47 pp from 21.74% to 18.27%. As a result of the above, the stake of the BNP Paribas SA group (indirectly through BNP Paribas Fortis SA/NV and Dominet SA) increased by approx. 0.02 pp, i.e. from 99.87% to 99.89%.

On 4 October 2012, the Bank was notified about a seizure of Dominet SA's property rights related to the series L shares held, to secure a claim against a shareholder in arbitration proceedings. The Bank was informed that a complaint lodged by Dominet SA had already been considered by the Court of Appeal which repealed the Regional Court decision on the seizure of Dominet SA's property rights related to series L shares held.

4. THE BANK'S PRODUCTS AND SERVICES AND DEVELOPMENT OF BANKING BUSINESS IN 2012

BNP Paribas Bank Polska SA is a universal bank that serves the main three market segments:

- Retail Banking,
- Corporate and Transaction Banking,
- other banking activity.

4.1. Retail Banking

- provides services to individuals and small and medium enterprises that generate a turnover up to PLN 40 million
- 226 own and franchisee branches
- 355 thousand individual customers and 31.4 thousand companies (SME & Micro)
- 1,321 FTE

Retail Banking (RB), which comprises small enterprises, individual and private banking customers, offers comprehensive services to individuals, including affluent customers segment, and small enterprises. In particular, the Bank targets its offering at the following segments:

- Mass Retail segment – customers of monthly net income below PLN 7,500, in particular a sub-segment of Mass Retail Aspiring Customers, with income between PLN 2,500 and PLN 7,500;
- Mass Affluent Customer segment (MA) – customers of minimum PLN 7,500 net monthly income and/or who invest assets through the Bank in the minimum amount of PLN 100 thousand, not more than PLN 600 thousand;
- Private Banking segment – customers who invest assets through BNP Paribas Bank Polska SA in the minimum amount of PLN 600 thousand, including the Ultra-HNWI group of customers holding assets above PLN 5 million;
- Micro enterprises (MICRO) segment – business entities generating annual revenues below PLN 500 thousand (in 2013 the threshold was raised to PLN 5 million);
- Small and Medium Enterprises (SME) - business entities with annual turnover from minimum PLN 500 thousand up to PLN 40 million.

Personal Finance (PF) business line provides comprehensive services to the Mass Retail customer segment as regards car loans, cash loans and credit cards.

Products and services offered to Individual Customers

4.1.1. Mass Retail and Mass Affluent segments

In 2012 the product offering for individual customers was developed in line with the strategy of building long-lasting relations with customers and using best efforts to tailor the offering to their needs. The Bank acquired new customers and built relations with them through financing purchases and undertakings, at preferential conditions for personal account holders, in the form of cash or car loans.

The offer of personal accounts for individuals constitutes the core component of the relations with customers, who may choose from among four package types: S, M, L and XL, which differ in charges and benefits offered:

- Account with the S Package – dedicated to customers unwilling to pay any maintenance fees;
- Account with the M Package – a standard account ensuring access to an array of banking transactions;
- Account with the L Package – an extended range of functionalities for more aware and demanding customers;
- Account with the XL Package – the widest range of services, dedicated mainly to very demanding Mass Affluent and Private Banking customers.

In the fourth quarter of 2012, the Bank transformed savings and current accounts withdrawn from the offering into accounts with packages specified above, this way limiting the number of products maintained.

In addition to a savings and current account (ROR), the following products and services are available to Package holders:

- debit cards: Visa and MasterCard; to limit the costs related to management of the product offering, since the end of 2012 the Bank has been issuing only MasterCard cards;
- "Pl@net" internet banking system; improvement of the „Pl@net" system combined with the mobile banking implementation is planned for the first quarter of 2013;
- Contact Centre;
- overdraft facility within a savings and current account;
- settlement services: standing orders, direct debits, domestic and international transfers;
- assistance insurance (with the exception of the S Package);
- "More" *(WIĘCEJ)* savings accounts – with a promotional interest rate and a guarantee that this interest rate would remain unchanged for 6 months of the account opening. Whereas the "Very" *(BARDZO)* savings account has been withdrawn from the offering;
- to support the acquisition of new customers, the Bank introduced a term deposit, *"Super Zysk"* (Super Profit) offered only in newly opened branches of the Bank;
- key term deposits for individual customers were "Deposit 6/6" and "Deposit 3/6", i.e. deposits for 6 and 3 months with a promotional interest rate offered to personal account holders;
- in February 2012, the Bank's offering was expanded with a regular savings programme in the form of a group life insurance combined with insurance capital funds offered in cooperation with AXA Życie TU SA under the name of "Capital Plan";
- in April 2012, a modified 12-month rentier deposit "Investor Plus" with payment of interest accrued at the end of each 3-month interest period was introduced to the offering;

- to encourage customers to accumulate savings in a long-time perspective, the Bank has made the Individual Pension Account offer more attractive through introducing daily capitalisation on business days and setting WIBOR 3M as the basis for this account interest rate;
- moreover, the deposit "Profit Plus" sold along with TFI BNP fund participation titles or a regular savings product "Capital Plan" was modified – the deposit interest rate was increased to 8%;
- the deposit offer was enhanced with a term deposit, "e-Comfort" provided to the Bank's customers via the "Pl@net" internet banking system and insurance-linked deposit, "ExtraComfort", introduced in October;
- the deposit offering was complemented with medium-term investment products where the principal amount is 100% protected at the end of the investment period,
    - "Euro Stars" – offered in two editions at the turn of May and June of 2012 -a two-and-a half-year structured product in the form of a group endowment life insurance based on the BNP Paribas Flexible Star Managers index (PLN Hedged), which consists of 4 absolute return investment funds, managed by leading world managers;
    - "TOP 20" – offered in September and October 2012 - a three-year structured product in the form of a group endowment life insurance based on a basket of 20 renowned American and European companies;
    - "WIBOR Profit II" - offered in November 2012 - a two-year structured product in the form of a group endowment life insurance based on WIBOR 3M and EURIBOR 3M rates.
- bancassurance products added to the offering in 2012:
    - new variants of personal insurance adjusted to the new offering and ongoing promotions of car and cash loans;
    - since March 2012, the holders of personal accounts at the Bank have been being offered insurance that protects the customers against an income drop as a result of an unexpected life situation such as a job loss, severe illness, temporary inability to work or hospitalisation caused by an accident. The insurance is offered in cooperation with Cardif ARD SA Branch in Poland in the form of group insurance of the Bank's customers;
    - in April, automotive insurance package was introduced for sale, it includes third party liability insurance and comprehensive automotive insurance offered in cooperation with Liberty Seguros compania de Seguros y Reaseguros SA Branch in Poland. An automotive insurance package is offered along with a car loan;
    - in May, the Bank started offering a GAP insurance, i.e. insurance against financial loss, offered in cooperation with Cardif ARD SA Branch in Poland in the form of group insurance for borrowers. GAP insurance is also offered in a package with a car loan.

In 2012, in the mortgage loans area the Bank offered its individual customers:

- by the end of 2012, mortgage loan "Family's Own Home" (*Rodzina na swoim*), granted under the government programme implemented pursuant to the Act dated 8 September 2006 regarding Financial Support for Families to Purchase Their Own Home was offered;
- housing loan allocated for financing residential purposes and, to a limited extent, for consolidation of debts;
- home equity loan to finance any purpose not related to the borrower's business or farming activity.

In the second half of 2012, the Bank prepared a special offer called "Affinity Marketing" addressed to employees of business entities cooperating with the Bank. The offer aims at acquiring new customers and tightening cooperation with entrepreneurs. It is constructed on the basis of preferential conditions as regards personal accounts, revolving loans within savings and current accounts (ROR), cash and car loans and credit cards.

In 2012, an increase in sales of bank products for individual customers could be observed.

- Cash loans sales in 2012 reached the amount of PLN 804 million which is by nearly 62% better than in 2011, when the sales amounted to PLN 497 million;
- The number of personal accounts by the end of 2012 exceeded 260 thousand and was by 17% higher as compared to the number of accounts recorded as at the end of 2011 i.e. 222 thousand. Simultaneously, the balance of sight deposits accumulated on those accounts grew by 26% from PLN 300 million as at the end of 2011 to the level of PLN 378 million as at the end of 2012. The number of customers who actively use the „Pl@net" internet banking system also enlarged by 20%, from 124 thousand as at the end of 2011 to almost 150 thousand users as at the end of 2012.

4.1.2. Private Banking Segment

The Private Banking Segment serves the most affluent customers of the Bank holding assets in the amount of at least PLN 600 thousand who expect high quality service and specialised investment offering.

In June 2012 a new opening of the Private Banking Segment in Poland took place in response to the introduction of a new sales model and range of products and services based on solutions of BNP Paribas Wealth Management.

In the Private Banking segment BNP Paribas Bank Polska SA provides integrated asset management services and solutions for affluent private individuals and companies established for investment purposes. The services offered include:

- daily banking,
- services of the Brokerage Office,
- other investment instruments and also investment and insurance solutions,
- wealth planning,
- financing needs,
- alternative investments.

All services provided are carefully selected and offered according to MIFID regulations as transcribed into the Polish laws.

Daily Banking

The Private Banking customers may take advantage of advisors' services in places chosen at their convenience, likewise place their orders by phone. A vast array of prestigious debit, credit and charge cards provides customers with the access to additional services such as concierge, assistance and travel insurance. Among them MasterCard BNP Paribas World Signia card should be distinguished - a holder of such a card may be granted an unlimited credit limit, a range of insurance types with guaranteed high sums insured and a Priority Pass package giving an access to exclusive VIP rooms at airports. For the most demanding clients the Bank offers a charge type titanium card, American Express Centurion.

Brokerage Office

On 17 April 2012, the Polish Financial Supervision Authority granted a permit for the Bank to conduct a brokerage activity with respect to accepting and forwarding orders to acquire or sell financial instruments and investment advisory services.

The Brokerage Office was established within the Retail Banking business line and it launched its operating activity on 11 June 2012. It addresses its services to customers of the Bank's Private Banking Department. The services offered include:

- accepting and forwarding orders to acquire or sell financial instruments – services rendered on the basis of cooperation with the investment house *Dom Inwestycyjny BRE Banku SA*;
- investment advisory services consisting in preparation of individual investment reports (recommendations) for customers, which, in the part concerning financial instruments, may be provided using the services of accepting and forwarding orders to acquire or sell financial instruments.

These services provided the Private Banking customers with a possibility to invest using, in practice, all financial instruments available on regulated markets in Poland and chosen foreign markets, including EU and USA. The instruments include, among others: shares, bonds, futures contracts, options, index units, ETF (exchange traded funds).

Moreover, customers may participate in initial public offerings as regards shares and other financial instruments allotted through the Warsaw Stock Exchange.

Other investment instruments and investment and insurance solutions

Customers are ensured access to a specialised asset management offer of TFI BNP. The portfolio management offer was remodelled in 2012, with the BNP Paribas group's support, to satisfy expectations of the most demanding and affluent customers.

Management of particular assets classes is presently carried out within separated risk profiles (profiled management). Customers may choose among the following investment portfolios: debt securities, domestic funds (stable, balanced and dynamic), foreign funds (stable, balanced and dynamic) and stock portfolios.

In 2012, to improve the quality of services related to offering investment funds, the Bank, in cooperation with the BNP Paribas group's international partner, FundQuest, selected investment fund companies whose funds are actively promoted in the Private Banking:

In 2012, the Private Banking offering was enriched by an investment and insurance product, *Fund Panorama*, developed in cooperation with TUnŻ WARTA SA. It is a flexible investment programme that allows customers to gather and multiply assets, linked with a life insurance policy.

Furthermore, the Private Banking offering includes treasury bonds and structured products, sold in the form of insurance policies, which may be created according to boundary conditions specified by a customer.

Wealth planning

In 2012 the Bank introduced a wealth planning service for the Private Banking customers. This service provides customers with an access to bank experts on wealth planning, tax optimisation and inheritance planning.

Financing needs

The Bank offers the following credit products to Private Banking customers: mortgage loans, cash loans, credit lines available in a current account, other types of loans tailored to individual needs of customers.

Alternative investments

The international offering of the BNP Paribas Wealth Management makes it possible for the Private Banking customers in Poland to enjoy advisory services assisting them in buying works of art or real estate.

4.1.3. Personal Finance

The Personal Finance business line operates as a specialised competence centre responsible for development and introduction of consumer loans to the Bank's offering and also for debt recovery with respect to such loans. The main products offered by Personal Finance include:

- cash loans,
- car loans - for the purchase of new and used cars,
- credit cards issued within 'bicontract' agreements on cash and car loans, likewise agreements on credit facilities.

Personal Finance products are distributed mainly through the Bank branch network and directly by external distribution channels such as used car brokers, car dealers and independent financial partners. Other distribution channels include: Internet, Call Centre, insurance institutions and financial brokers.

Cash loans

To support sales of loans to individuals, a promotional campaign under a slogan "Make Your Plan Come True" (*Zrealizuj swój plan*) was launched in 2012:

- at the beginning of 2012, promotions of cash loans were continued on attractive financial conditions depending on opening a personal account at the Bank and with life insurance of a borrower or job loss insurance as well as refinancing of a cash loan granted by another bank, refinancing for loans in other banks was launched;
- new financing conditions for cash loans were offered under "Summer 2012" and "Autumn 2012" promotions. In the latter one, interest rate was contingent on using an account with package or life insurance or job loss insurance.

Financial conditions for a standard offering were also changed.

In October 2012, a cash loan with a consolidation option was offered – in the cash loan application process, the system verifies/ checks whether the Bank may propose to a customer consolidation of loans indicated in the BIK (Credit Information Bureau) register.

Car loans

In 2012, price conditions for standard credit offer for purchase of new and used vehicles at authorised car dealers were changed.

Within promotional activities under one slogan "Make Your Plan Come True" special offers: "Spring 2012", "Summer 2012", "Autumn 2012" with new price conditions were launched.

Besides, the following new products were introduced:

- a new offering of automotive insurance of a direct type in cooperation with Liberty Direct,
- insurance against financial loss (GAP) in cooperation with Cardif ARD SA Branch in Poland,
- special credit offer for purchase of a new vehicle, available at the Bank's branches,
- special credit offer for purchase of a motorcycle at an authorised dealer of Harley Davidson.

Credit cards

- credit cards with PLN two-thousand limit and a promotional interest rate were offered to customers who entered into a cash or car loan agreement with the Bank, and had a positive credit history.

Cash and car loans were ranked first in the rankings of Internet portals - Comperia.pl, TotalMoney.pl and Bankier.pl.

Products and services offered to Enterprises

4.1.4. SME and Micro Enterprises Segment

Retail Banking business line provides products and services to Micro and SME customers with an annual turnover below PLN 40 million. The Bank's offering for these segments includes:

- accounts and packages;
- deposits and placement accounts;
- payment cards;
- credit products;
- liquidity management - cash management;
- trade finance;
- FX and interest rate risk management;
- other financial services (lease facilities, factoring, cash collection, financing agreement, purchase/sale of foreign currencies);
- credit offer linked with the European Union financing programmes.

Development of the offering for micro, small and medium enterprises in 2012:

- In February 2012, the next edition of the promotion of a turnover credit facility *(Kredyt pod obroty)* was launched. The maximum loan amount depended on an average turnover amount channelled through accounts at the Bank. Customers could test the product for 6 months at no additional costs such as commissions, margin or other fees. In the June ranking of revolving loans for companies prepared by Total Money, the Bank's offer was ranked first;
- The experience gathered from *Kredyt pod obroty* promotion, in September 2012, gave rise to a modernised offer of an overdraft credit facility, *Kredyt w rachunku bieżącym*, mainly addressed to all customers with full accounting. In the new overdraft credit facility the financing level is better adjusted to the customer's needs and capabilities;
- The offering of products related to the EU funds in April 2012 was expanded with Energo Leasing that allows customers to acquire additional funding in the form of investment premium at financing purchases of energy-saving machines and equipment. The Energo Leasing is granted within the Sustainable Energy Financing Facility Programme in Poland (PolSEFF) on the basis of cooperation with the European Bank for Reconstruction and Development (EBRD);
- The Bank organised a series of conferences about energy saving issues, in cooperation with the 'Gazeta Prawna' daily, also with the support of economic chambers and other organisations associating entrepreneurs. There were 14 meetings held with almost 500 entrepreneurs' participation;
- As a result of the promotion of the Sustainable Energy Financing Facility Programme, the EBRD credit line of EUR 30 million was fully drawn;
- Concurrently with the agreement with EBRD, BNP Paribas Bank Polska SA has two active loan agreements with the European Investment Bank (EIB), with the value of EUR 50 million each earmarked for financing companies of the small and medium enterprises sector. The funds provided under the first agreement with EIB have been utilised in full. Whereas the funds obtained under the second agreement with EIB are still available to companies in the form of investment loans offered by the Bank on preferential price conditions;
- In the second quarter of 2012, the offering was expanded with a factoring facility in cooperation with BNP Paribas Factor. The product consists of a purchase of client receivables with and without recourse.
- The Bank carried out an image campaign addressed to companies - both small and medium ones, likewise large corporate customers - under the slogan "Let's talk about your plans";
- Both the BiznesPl@net internet banking and the platform "Deal on Pl@net" used for FX exchange have been expanded with new functionalities e.g. for bank statements generation;
- In December 2012, the Bank added a progressive account to the offering for micro, small and medium enterprises – this way it increased the variety of products for companies providing them with an attractive possibility of financial surpluses allocation;

- Already for the second time in a row, BNP Paribas Bank Polska won the title of the *Best Bank for Companies* according to Forbes monthly. In the Forbes ranking, the Bank was awarded five stars and remained among winners maintaining the previous year leader position. The Forbes editorial team recognised that the Bank distinguishes itself especially with a wide offering of loans with the European Union subsidies. The Bank was also highly assessed in the area of the customer service quality and transparency. Moreover, the Bank was rated among the top ten banks with the best deposit offering for companies; likewise it received high scores for the offering variety.

4.2. Corporate and Transaction Banking

- provides comprehensive bank services to medium-size companies and corporate businesses generating annual turnover in excess of PLN 40 million, and to companies that are a part of international groups
- 8 Business Centres
- 2,719 corporate customers
- 193 FTE

Corporate and Transaction Banking (CTB) provides comprehensive services through the network of its Business Centres. CTB targets corporate customers with an annual turnover of over PLN 40 million. It focuses also on companies that are part of international groups, irrespective of their annual turnover. Thanks to international cooperation within the BNP Paribas group, CTB offers access to a rich selection of products and services.

Product offering for medium and large enterprises and international groups

Following the integration with BNP Paribas group, in the years 2011-2012, CTB product offering has been enriched by a number of specialised solutions introduced and developed owing to the BNP Paribas group's support.

CTB continues to organise a road show in Europe under the BNP Paribas programme targeted at corporate customers, *One Bank for Corporates in Europe*.

Cash Management offering includes a wide range of services, from bank accounts to complicated cash pooling solutions that enable customers to manage their companies' liquidity at an international level:

- current accounts, foreign currency and auxiliary accounts available to both resident and non-resident companies;
- escrow and trust accounts;
- payroll accounts;
- domestic and cross-border transfers, SEPA credit transfers, direct debit;
- BiznesPl@net and Connexis Internet banking systems;
- Visa Business payments cards - debit and charge cards, MasterCard Business - debit and credit cards;
- MBR/RPI system is a SWIFT-based system which enables account management via external electronic banking systems;
- domestic and international cash pooling;
- Automated Identification of Payments;
- mass payments.

Short-, Mid- and Long-term Financing

Based on agreements signed with the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), the Bank offers investment financing for medium-sized companies.

In 2011, the Bank incorporated into its offering the EIF surety that provides customers with an option to obtain cheaper investment financing with the EIF guarantee as collateral.

In addition to loans with EU subsidies, the Bank offers a full range of investment financing and current (working-capital) financing facilities:

- overdraft facility,
- revolving credit;
- investment loan (including the one in cooperation with EIB and EBRD);
- multi-option credit line;
- guarantee credit line;
- straight loan;
- fixed interest rate loan;
- general financing agreement.

Trade finance

Our individual customer approach and continuous development of the offering for exporters and importers guarantee the top quality service. Customers of the Bank may use the following forms of international cooperation:

- documentary collection,
- letters of credit,
- purchase of receivables based on invoices/bills of exchange;
- buyer's credit with insurance of KUKE SA (Export Credit Insurance Corporation);
- DOKE programme (Interest-Rate Support for Fixed-Rate Export Credits).

Export letters of credit grew both in volume and number. This trend is attributable, to a great extent, to transactions effected in the countries where BNP Paribas group is present. Use of services offered by banks within the BNP Paribas group benefits both transaction parties as it enables better information flow, faster receipt of funds and often cost optimisation.

Structured finance and investment banking

The activity related to the investment banking is conducted by the Bank's organisational unit that reflects the BNP Paribas group's experience and know-how in the structured finance area. The activity of the unit includes: acquisition finance, structured investment lines and current financing, credit line arrangement and syndication, including the option to act as a lead arranger.

Global Markets

BNP Paribas group offers solutions that guarantee the security of concluded transactions and customer service of the highest standard: spot transactions, forward transactions, FX swap, FX options and interest rate options (cap, floor); IRS, FRA, CIRS, structured products.

Leasing

Leasing offer covers a complete range of the most popular solutions: operational lease, financial lease, sales & leaseback and lease of assets.

Real estate finance

The Bank offers solutions as regards financing of big investment projects such as office buildings, commercial and logistics centres. The financing is offered without or with recourse to the investor or project sponsor, within a credit or lease facility.

4.3. Other banking activity

Other banking activity includes daily treasury transactions (Treasury), asset and liability management (ALM) and financial market products (Fixed Income).

4.3.1. Offering of products and services rendered by the Fixed Income Sales Department

The Fixed Income Sales Department supports other business lines providing a selected group of customers with financial market products via standard and off-balance sheet transactions. Within the CTB business line, these products are offered by the Financial Markets Sales Department.

Furthermore, the Bank offers its customers FX transactions and transactions designed to hedge FX risk and interest rate risk.

4.3.2. Daily treasury transactions and asset and liability management (carried out within the ALM/Treasury Line, which comprises the Treasury Department)

The Bank’s activities on the money market, FX market and the market of debt securities may be grouped into the following categories:

- liquidity management,
- FX risk management,
- interest rate risk management (including management of interest rate risk of the loan and deposit portfolio);
- management of securities portfolios (mainly debt securities issued by the State Treasury or NBP).

The Bank's activity on the international market takes a form of an array of financial transactions. These transactions include: money market transactions, FX swaps, interest rate derivative transactions, transactions of purchase and sale of treasury bills and treasury bonds and NBP bills, FX transactions (FX spot and FX forward).

4.4. Custody services

Effective 31 December 2012, BNP Paribas Bank Polska SA ceased to provide custody services consisting in maintenance of securities accounts, safekeeping customer assets and settlement of transactions concluded on domestic and international markets within the Custody Services Group, a unit separated from the Bank's structure.

In order to stop provision of the services, all customer instructions regarding transfers of financial instruments from securities accounts maintained within the custody activity were executed. Furthermore, all agreements on securities account maintenance in favour of customers of BNP Paribas Bank Polska SA were terminated. The custody of institutional clients was transferred to BNP Paribas Securities Services in Poland, a European and international leader for these services.

Also, relevant applications were filed to supervisory authorities for undertaking formal measures related to the withdrawal of a permit under which the Bank carried out its custody activity.

4.5. Clearing activity

Outgoing PLN payments to domestic banks are settled electronically only, through the ELIXIR and SORBNET systems.

The Bank participates in EuroELIXIR system for handling domestic transfer orders in euro. In 2012, the Domestic Clearing House (KIR) launched the third session of EuroELIXIR. The Bank provides its customers with SEPA credit transfers (both incoming and outgoing ones). The Bank also indirectly participates in TARGET2.

5. ANALYSIS OF BNP PARIBAS BANK POLSKA SA PERFORMANCE IN 2012

5.1. Income Statement

The Bank closed the year 2012 with a pre-tax profit of PLN 45 million, which was by PLN 3 million lower than in 2011. The decrease of the Bank's profit resulted primarily from higher cost of risk following the creation of additional provisions for the old consumer credit portfolio (of the former Dominet Bank), and from an economic slowdown observed last year which particularly affected the construction sector and small and medium enterprises. At the same time, the net banking income increased chiefly thanks to the higher net trading income and the dividend received from the subsidiary, Fortis Lease Polska Sp. z o.o.

Evolution of key items of the Income Statement is presented below:

in PLN million	2011	2012	Δ 2012/2011
Net banking income	759	788	4%
Total expenses	-589	-585	-1%
Cost of risk	-118	-155	31%
Net operating profit/loss	**52**	**48**	**-7%**
Net profit/loss from disposal of assets, shares and interest	-3	-3	-11%
Profit/loss before taxation	**49**	**45**	**-7%**
Income tax	-28	-16	-42%
Profit/loss after taxation	**21**	**29**	**39%**

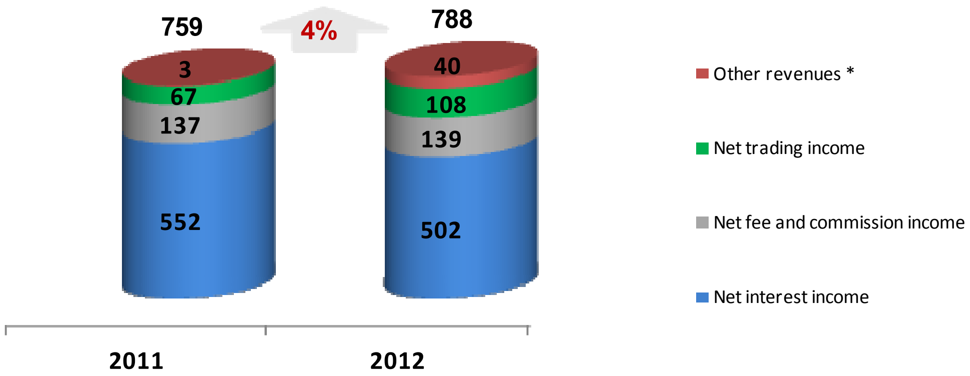
One-off events had a material impact on the Bank's performance in 2012:

- PLN +23 million: income on the settlement of a prepayment of tranches of credit facilities from the BNP Paribas group with a positive market valuation;
- PLN +22 million: dividend received from the subsidiary, Fortis Lease Polska Sp. z o.o.;
- PLN +16 million: profits earned on the sale of securities;
- PLN +8 million: profit generated in the first quarter of 2012 on account of closing some hedging transactions connected with hedge accounting;
- PLN -58 million: additional one-off provisions related to a methodology change, chiefly regarding the consumer credit portfolio of the former Dominet Bank;
- PLN -13 million: employment restructuring provision.

5.1.1. Net banking income

The chart below shows a structure of basic items of the net banking income in the periods compared.

Chart 7. Net banking income structure in 2011-2012 (in PLN million)



**Other operating income includes: net profit/loss on available-for-sale financial assets, dividends and other investment income, other income and operational expenses*

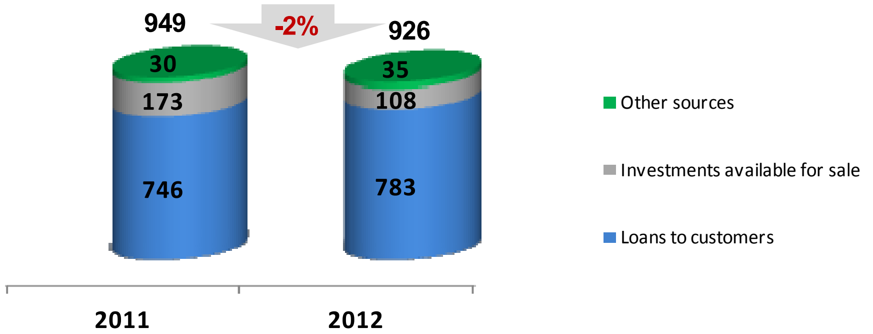
5.1.1.1. Net interest income

In the income statement structure, the net interest income prevails, accounting for 64% of the total net banking income. The net interest income was lower than in 2011 by PLN 50 million or 9%.

Taking into account other interest earnings related to FX swap transactions (positive swap points of PLN 19.0 million in 2012 versus negative points of PLN -13.2 million in 2011), recognised in the net trading income, the net interest income would be lower by PLN 18 million (3%) than in 2011.

The interest income structure in the periods compared was the following:

Chart 8. Interest income structure in 2011 - 2012 (in PLN million)

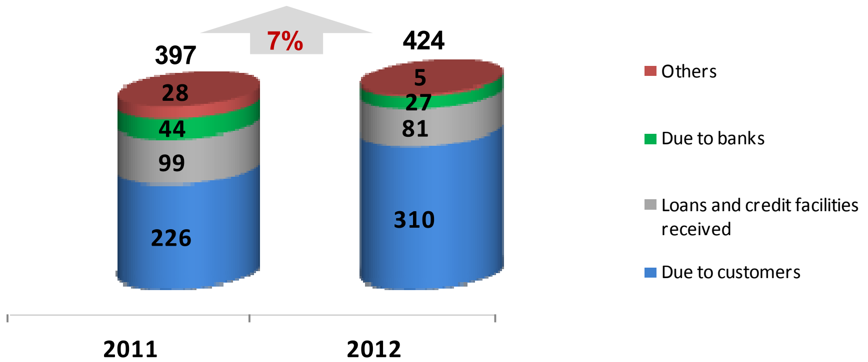


Interest on loans to the Bank's customers grew by PLN 38 million or 5%. The growth derives mainly from higher average loan volumes.

Interest income on available-for-sale investments fell by 38% as compared to 2011. This drop results from a lower average value of the Bank's investment securities portfolio, which includes primarily Treasury bonds.

Interest expenses rose by PLN 27 million. The interest expense structure in the periods compared was the following:

Chart 9. Interest expense structure in 2011 - 2012 (in PLN million)



Interest expense growth was attributable to higher costs of interest on liabilities due to customers (by PLN 84 million), in consequence of an increase in the average deposit balances by 17% as compared to 2011, and higher deposit interest rates offered to customers in connection with a strong competition on the market.

Costs of loans and credit facilities received mostly from the BNP Paribas group as well as EIB and EBRD (under SME financing programmes) dropped by PLN 18 million. Thanks to the improved funding structure and increased volume of customer deposits in the structure of liabilities, the Bank was able to prepay tranches of credit facilities taken from the BNP Paribas group. It translated into a lower interest expense attributable to the following:

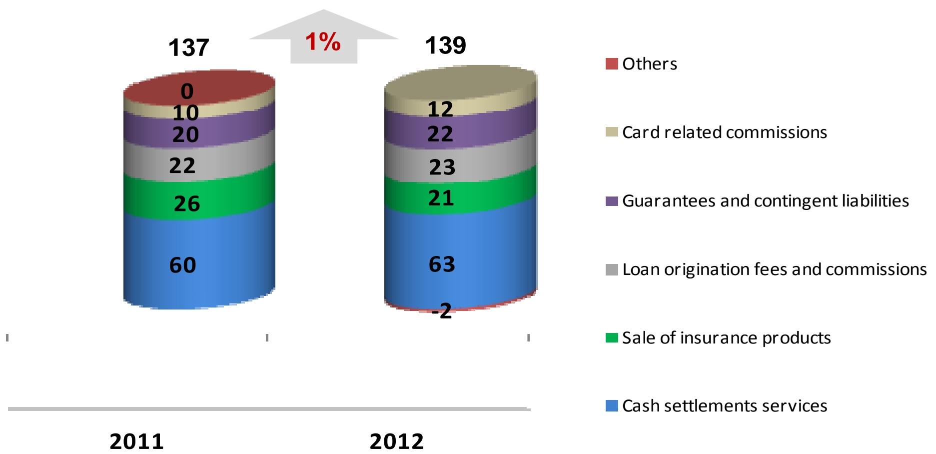
- lower average loan balances;
- additional net income on a settlement of prepaid tranches of credit facilities from the BNP Paribas group with the positive market valuation (PLN+23.2 million).

Interest expense related to deposits of other banks went down as compared to 2011 by PLN 17 million in connection with a drop in the volume of such deposits.

5.1.1.2. Net fee and commission income

The second largest item in the Bank's income was net fee and commission income which in 2012 accounted for 18% of the net banking income and was by PLN 1 million higher than in 2011.

Chart 10. Net fee and commission income structure in 2011 - -2012 (in PLN million)



The main sources of the net fee and commission income in the Bank were fees and commissions on cash settlement services, commissions related to the sale of insurance products, loan origination, guarantee issuance, and payment cards-related fees.

Growth in the net fee and commission income is chiefly attributable to a higher income on the following items:

- cash settlement services (increase by 6%);
- loan origination fees and commissions (increase by 5%);
- card fees and commissions (increase by 20%);
- guarantees and contingent liabilities (increase by 10%).

At the same time, the Bank recorded a lower net fee and commission income on account of the sale of insurance for car and cash loans to individual customers of RB BL (fees and commissions related to the sale of insurance products went down by PLN 5 million). Repayment of loans from the portfolio of former Dominet Bank, which generated high insurance income (related to high insurance premiums and higher profitability for the Bank), however, characterised by high risk costs and high default rate, were replaced with new loans, granted to customers of a better risk profile, but with lower insurance premiums generating respectively lower income.

5.1.1.3. Net trading income

In 2012, the Bank recorded the net trading income of PLN 108 million, so it was by 61% higher than in 2011. This item includes: earnings on FX differences and revaluation, net income on derivatives and also fair value adjustments of FX options. The net trading income increased mostly due to:

- growth of the net income on FX swap transactions by PLN 32 million (a positive interest-related income on FX swap transactions is however counterbalanced by a lower interest income on deposits and loans);
- profit in the amount of PLN 8 million generated in the first quarter of 2012 on account of closing some hedging transactions connected with hedge accounting;
- net revenues on releasing fair value adjustments related to FX options of the Bank's customers in the amount of PLN 9 million as compared to PLN 5 million in 2011;
- lower interest expense on derivatives (by PLN 5 million) attributable to a substantially lower average volume of these transactions in 2012.

On the other hand, the result on FX transactions made by the Bank's customers was by PLN 8 million (8%) lower as the effect of a lower margin realised on those transactions due to a strong market competition, whilst their average volume in 2012 was 6% higher compared to the previous year.

5.1.1.4. Other income

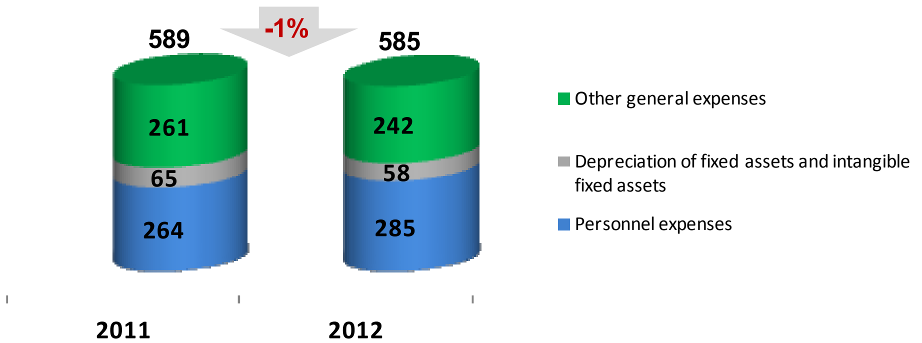
Other income in 2012 stood at PLN 40 million and was by PLN 36 million higher than in the previous year. The growth is attributable mainly to:

- dividend received from the subsidiary, Fortis Lease Polska Sp. z o.o. (PLN 22 million);
- increase in the net profit/loss on available-for-sale financial assets (by PLN 18 million) related to profits earned on the sale of securities.

5.1.2. Costs

Specific cost categories in the periods compared were the following:

Chart 11. Cost structure in 2011 - 2012 (in PLN million)



In 2012, the Bank's general expenses and depreciation were by PLN 4 million (1%) lower than in 2011.

In the first quarter of 2012, the Bank started a cost optimisation programme under which a number of measures were undertaken to cut down expenses, optimise the cost base and create a financial capacity to invest in the modernisation of the Bank and support its development. Optimisation initiatives and activities identified within the programme are to bring PLN 86 million savings a year.

In effect of savings introduced under the programme, other expenses were reduced by 7%. First of all, the savings concern expenses related to advisory and consulting services, marketing, as well as postal and telecommunication services.

Depreciation costs were lower by 11% than in 2011 owing to investment savings made and a lower value of current purchases.

Furthermore, in connection with the cost optimisation programme, a one-off employment restructuring provision was created in the amount of PLN 13 million which materially affected the staff expense growth in 2012. However, in the long-time horizon, the restructuring is to reduce the remuneration expenses. An additional factor which attributed to the Bank's remuneration expense increase was growth of employment in the RB BL related to a transformation of franchise outlets into own branches and opening new branches.

5.1.3. Cost of risk

The Bank's priority is to maintain a secure risk profile. Although the cost of risk related to the new business model applied by the Bank since 2009/2010 remained very low, the total cost of risk stood at PLN 155 million in 2012 and was higher by PLN 36 million than in 2011. It was predominantly an effect of:

- additional one-off provisions related to methodology changes which, to a large extent, concerned the consumer credit portfolio of the former Dominet Bank, in the total amount of PLN 58.2 million (they resulted from a change of recovery parameters for cash loans, credit card receivables, debts within current accounts of individuals and for car loans);
- crisis in the construction sector resulting in provisions created for receivables due from companies of this sector;
- net result on IBNR provisions which totalled PLN 10.1 million and was by PLN 9 million higher than in 2011 (negative effect). The IBNR cost increase was materially affected by a change of risk parameters that resulted from their validation in December 2012.

At the same time, the following had a positive effect on the cost of risk:

- revenues on the sale of the uncollectible receivables portfolio carried out in June, August and November 2012, for the total of PLN 35.5 million;
- continuation of effective restructuring and debt collection measures, focused mainly on receivables of CTB corporate customers.

5.1.4. Contribution of specific sector segments to the financial result

In January 2012, the Bank changed the methodology of cost allocation into business segments. Pursuant to the new methodology, costs of a specific segment comprise the costs incurred directly by this segment and costs of support units allocated to this segment on the basis of percentage keys determined for a given year in the budgeting process, presented in the cost allocation item. Total segment costs in comparative data for 2011 were not changed, nevertheless direct costs were translated according to the new methodology and are comparable with the costs of 2012.

	RB			CTB			Other		
in PLN million	**2011**	**2012**	**Δ**	**2011**	**2012**	**Δ**	**2011**	**2012**	**Δ**
Net banking income	403	382	-5%	242	272	12%	139	162	17%
Total expenses	-517	-493	-5%	-76	-91	20%	-6	-20	208%
Cost of risk	-118	-185	57%	10	29	207%	0	0	-103%
Net operating profit/loss	**-232**	**-296**	**28%**	**176**	**210**	**19%**	**132**	**142**	**8%**
Net profit/loss from disposal of assets, shares and interest	-2,8	-2,5	-12%	-0,23	-0,22	-4%	0	0	-
Profit/loss before taxation	**-235**	**-298**	**27%**	**175**	**209**	**19%**	**132**	**142**	**8%**

Retail Banking

The RB net banking income amounted to PLN 368 million and was lower by 6% than in 2011. The above result accounts for 47% of the entire Bank's net banking income.

Key factors which had an impact on the RB net banking income include:

- 8% decrease in the net interest income caused by a fall in interest income on loans as well as higher interest expense on liabilities due to customers;
- 4% drop in the net fee and commission income resulting from lower insurance revenues;
- increase in other income by PLN 1 million affected by the dividend from the subsidiary, FLP allocated to the RB line in the amount of PLN 5 million.

General expenses and depreciation and the "cost allocation" item which is the value of costs allocated from support units to the business line, amounted to PLN 485 million. RB staff expenses which accounted for 50% of the Bank's total staff expenses, increased by 12%.

The cost of risk amounted to PLN 181 million in 2012 and rose by PLN 60 million as compared to last year, mostly due to additional provisions related to methodology changes which to a large extent concerned the consumer credit portfolio of the former Dominet Bank totalling PLN 58.2 million.

In 2012, the RB BL reported a gross loss of PLN -300 million, higher by 25% than the loss incurred in 2011.

Corporate and Transaction Banking

The net banking income of the Corporate and Transaction Banking BL grew from PLN 227 million earned in 2011 to PLN 258 million in 2012, i.e. by 14%.

The change in the CTB BL net revenues is attributable primarily to:

- net fee and commission income higher by 9%, i.e. by PLN 5 million;
- net profit/loss on available-for-sale financial assets higher by PLN 12 million thanks to lack of provisions for impaired assets held - the cost incurred in 2011.
- dividend from the subsidiary, FLP allocated to the CTB line in the amount of PLN 17 million.

General expenses and depreciation and the "cost allocation" item which is the value of costs allocated from support units to the business line, amounted to PLN 81 million. RB staff expenses which accounted for 10% of the Bank's total staff expenses, increased by 10%.

In 2012, the Corporate and Transaction Banking BL recorded a positive result on account of the cost of risk in the amount of PLN 26 million (in connection with a release of net provisions for customer receivables) compared to the positive result of PLN 2 million in 2011. The improved cost of risk results from restructuring measures undertaken by the Bank and the credit portfolio quality improvement.

The above events translated into the 29% increase in the pre-tax income, from PLN 157 million in 2011 to PLN 203 million in 2012.

Other Banking Activity

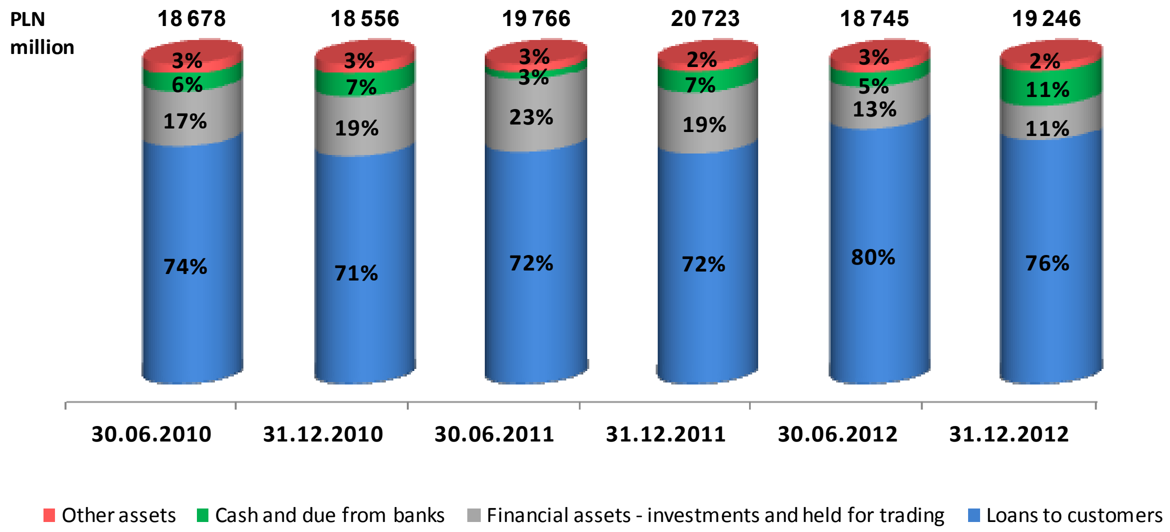
The Other Banking Activity segment represents results on the management of interest rate risk, liquidity risk and FX rate risk. Income on that activity increased from PLN 139 million in 2011 to PLN 162 million in 2012. The growth results primarily from a higher net trading income. The expenses include costs generated by support units.

5.2. Balance Sheet

5.2.1. Assets

The Bank's total assets as at 31 December 2012 were lower than the total assets as at the end of December 2011 by PLN 1,477 million or 7.1%. One of the main reasons of the lower balance sheet total was a reduction of the available-for-sale investment portfolio related to the evolution of the Bank's balance sheet structure and optimisation of the liquidity surplus. The drop in the Bank's assets was also attributable to a slight fall in the value of loan receivables and due from banks.

Chart 12. Bank's assets structure as at 31 December 2012 as compared to earlier periods (in PLN million)



The table below presents the structure and evolution of the Bank's selected assets (consolidated):

in PLN million	31 Dec 2011	Share (%)	31 Dec 2012	Share (%)	Δ 2012/2011
ASSETS					
Loans to customers	14 883	72%	14 612	76%	-2%
Investments – available for sale and others	3 768	18%	1 938	10%	-49%
Cash and cash equivalents	1 056	5%	1 903	10%	80%
Due from banks	359	2%	208	1%	-42%
Financial assets held for trading	176	1%	146	1%	-17%
Property, plant and equipment and intangible assets	178	1%	152	1%	-15%
Other assets *	302	1%	286	1%	-5%
TOTAL ASSETS	**20 723**	**100%**	**19 246**	**100%**	**-7%**

**Other assets include: assets and settlements on account of income tax, hedging instruments, non-current assets held for sale and other assets*

5.2.1.1. Loans to customers - the Bank's loan portfolio profile

Net loans to customers which decreased by PLN 271 million over the level noted as at the end of December 2011, constitute the primary item of the Bank's assets structure. The item went down mainly due to the following:

- the zloty appreciation against foreign currencies of the Bank's foreign currency loan portfolio, which contributed to the nearly 3.0% fall of the total net loan portfolio;
- sale of a portion of the uncollectible receivables portfolio;
- economic deterioration resulting in a slower growth of production of new loans in the area of commercial loans.

On the other hand, the following had a positive impact on the Bank's net loan portfolio:

- active sales of loans to individual customers, with the highest growth rate recorded for cash loans and PLN mortgage loans, and
- improved quality of the loan portfolio resulting in lower provisions for impairment.

Loan portfolio evolution and structure are the following:

in PLN million	31 Dec 2011	Share (%)	31 Dec 2012	Share (%)	Δ 2012/2011
Commercial loans	7 758	48%	7 486	48%	-4%
Mortgage loans	5 987	37%	5 804	37%	-3%
Consumer loans and credit facilities	2 279	14%	2 331	15%	2%
Other receivables and interest *	59	0%	59	0%	0%
Total loans to customers, gross	**16 083**	**100%**	**15 680**	**100%**	**-3%**
Provisions for impairment and IBNR	-1 200		-1 068		-11%
Total loans to customers, net	**14 883**		**14 612**		**-2%**

**Other receivables and interest include: loans to State-owned entities, receivables from financial instruments (FX spots and FX swaps) recognised at the transaction date, other receivables and interest to be received*

Loans to business entities have the biggest share in the structure of gross loans to customers. The lower balance of loans to enterprises (by PLN 272 million as compared to the end of December 2011) was attributable mainly to:

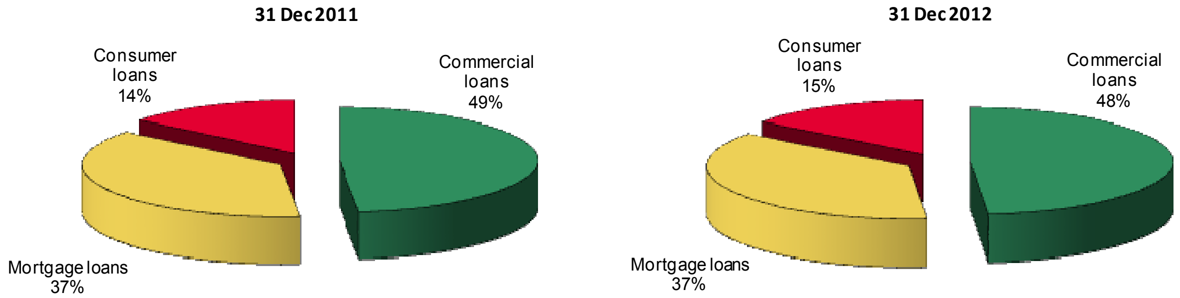
- drop in FX rates (due to the zloty appreciation against foreign currencies, 2.1% decrease was recorded on the balance of total commercial loans),
- sale of a portion of the uncollectible commercial receivables portfolio in August 2012,
- economic downturn and the related limited demand for investment projects among enterprises.

On the other hand, growth was noted in the portfolio of overdraft facilities (by 6.9% as compared to the end of December 2011) and PLN car loans (by 25.7%).

As at the end of December 2012, the balance of **loans to individual customers** stood at PLN 8,135 million and was lower than the level noted as at the end of December 2011 by PLN 131 million or 1.6%. The decrease pertained chiefly to the portfolio of foreign currency **mortgage loans** (by PLN 570 million or 12.1%) and resulted from both the drop in FX rates, especially CHF (the appreciating zloty contributed to the portfolio value decline by 303 million) and the discontinuation of granting new mortgage loans in foreign currencies. At the same time, thanks to an attractive offering maintained, the balance of PLN mortgage loans grew by PLN 387 million or 30.5%, and their share in the total mortgage loan portfolio increased from 21% as at the end of December 2011 to 29%.

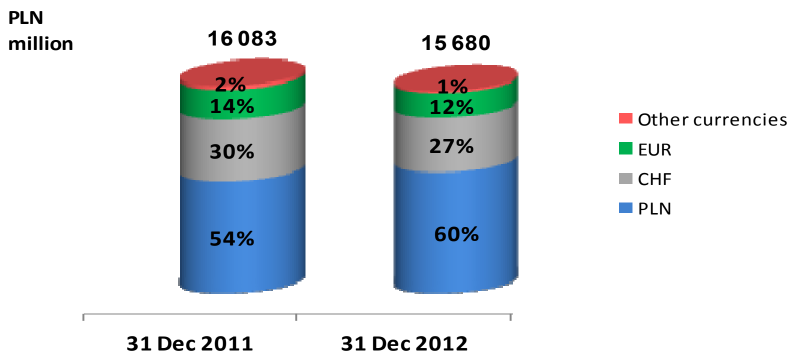
Consumer loans and credit facilities as at the end of December 2012 were by 2.3% (PLN 52 million) higher than the level recorded at the end of 2011. Thanks to an attractive offering of cash loans which remains one of the best on the market, and intensive marketing actions, the sales of those loans in 2012 amounted to PLN 0.8 billion and were by 65% higher than in 2011. A higher sale of cash loans compensated a reduction in the balance of consumer loans which resulted from selling a portion of the uncollectible receivables portfolio in June and November 2012.

Chart 13. Structure of gross loans to customers of the Bank as at 31 December 2011 and 31 December 2012



In the periods compared, the currency structure of gross loans to customers was as follows:

Chart 14. Currency structure of gross loans to customers as at 31 December 2011 and 31 December 2012 (in PLN million)

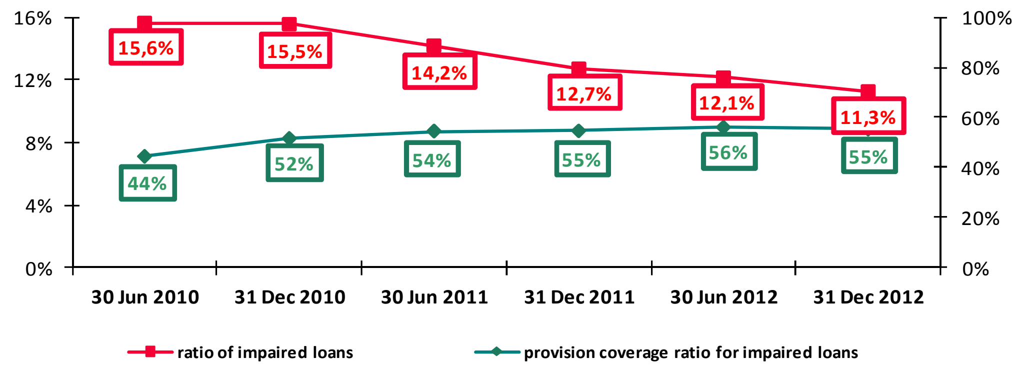


5.2.1.2. Loan portfolio quality

The improvement of the loan portfolio quality remains one of the priority attention points for the Group. As at the end of December 2012, the gross value of the portfolio of impaired loans to customers amounted to PLN 1,942 million, which accounted for 11.2% of the total portfolio. The observed continued downward trend of the ratio of impaired (non-performing) loans in the total portfolio results from:

- high quality of the new loans granted;
- effective debt restructuring and recovery measures with respect to the non-performing portfolio;
- sale of a portion of the uncollectible receivables portfolio classified into the "lost category":
  - in June 2012, the Bank sold a portion of its portfolio of car loans, cash loans and credit cards, with a debt principal value under loan agreements signed with the debtors amounting to PLN 90 million.
  - in August 2012, the Bank sold a portion of loans granted to business entities and individual customers, with a debt principal value under loan agreements signed with debtors amounting to PLN 97 million;
  - in November 2012, the Bank sold a portion of car loans, cash loans, credit cards, mortgage loans and loans granted to business entities with a debt principal value under loan agreements signed with the debtors amounting to PLN 82 million.

Chart 15. Evolution of the ratios of impaired loans and of the related provisioning as at 31 December 2012 as compared to previous periods



A decrease in provisions for impairment and IBNR (by 11.0% i.e. PLN 132 million as compared to the balance as at the end of December 2011) resulted primarily from the following:

- effective restructuring and recovery of non-performing receivables;
- sale of a portion of the uncollectible receivables portfolio,

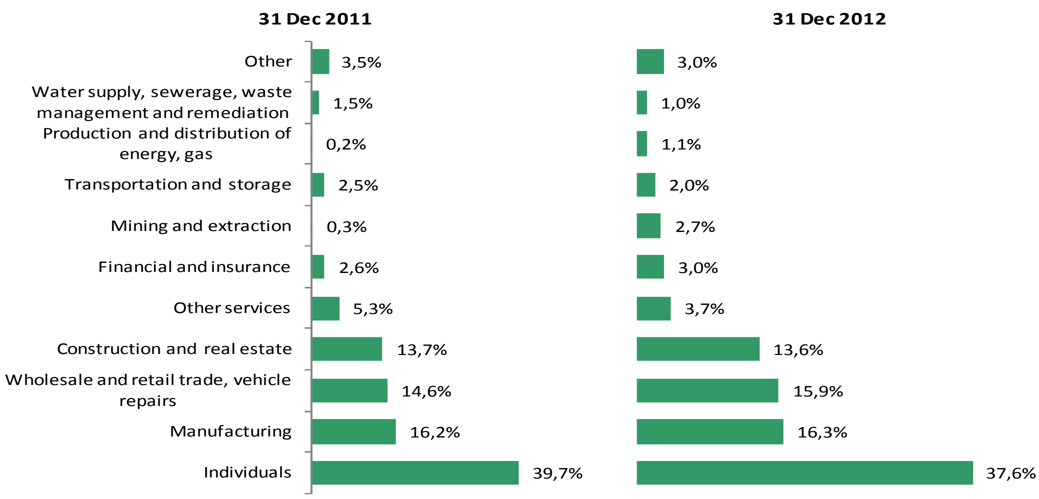
which counterbalanced additional provisions set aside for non-performing consumer credit portfolio, due to a change in the methodology of creating such provisions.

5.2.1.3. Loan portfolio by sectors under statistical classification

As at the end of December 2012, the Bank's exposure (balance sheet and off-balance sheet credit exposures) stood at PLN 22.2 billion and was concentrated mainly on the financing for individual customers and sectors such as: manufacturing, wholesale and retail trade, construction and real estate activities, other services, financial and insurance activity, mining and extraction.

The loan portfolio by sectors in the periods compared, was as follows (the data for December 2011 were adjusted to the current presentation manner):

Chart 16. Loan portfolio by sectors as at 31 December 2011 and 31 December 2012



5.2.1.4. Investments – available for sale and others

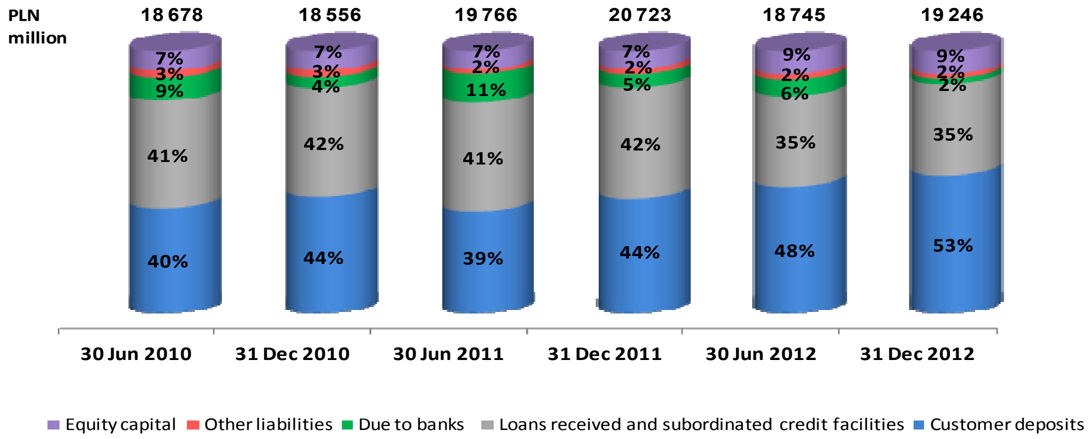
Investments available for sale and other declined as compared to December 2011 by PLN 1,830 million (i.e. 48.6%), as a result of the sale of some securities from the Bank's investment portfolio (chiefly the NBP bills). A reduction of the portfolio was related to the evolution of the Bank's balance sheet as well as the optimisation of the liquidity surplus in a situation of a lower interest rate of liquid assets available in the market as compared to the cost of their funding. On the other hand, other investments grew slightly (by PLN 8 million) as a result of acquiring a factoring company, BNP Paribas Factor Sp. z o.o. in April 2012.

At the end of December 2012, Treasury bonds had the biggest share in the Bank's investment portfolio.

5.2.2. Liabilities

The Bank's liabilities structure is as follows:

Chart 17. Liabilities structure as at 31 December 2012 as compared to previous periods



The table below presents the structure and evolution of the Bank's selected liabilities:

in PLN million	31 Dec 2011	Share (%)	31 Dec 2012	Share (%)	Δ 2012/2011
LIABILITIES					
Due to customers	9 028	44%	10 113	53%	12%
Loans and credit facilities received	8 215	40%	6 023	31%	-27%
Subordinated liabilities	593	3%	694	4%	17%
Due to banks	1 028	5%	382	2%	-63%
Financial liabilities held for trading	126	1%	87	0%	-31%
Other liabilities *	360	2%	248	1%	-31%
Total equity capital	**1 374**	**7%**	**1 698**	**9%**	**24%**
TOTAL LIABILITIES	**20 723**	**100%**	**19 246**	**100%**	**-7%**

**Other liabilities include: provisions, hedging instruments, differences from hedging fair value of hedged items against interest rate risk, liabilities on account of securities issue, deferred tax provision, current tax liabilities and other liabilities.*

5.2.2.1. Due to customers and institutions

Customer deposits together with loans and credit facilities received continue to constitute the main source of financing the Bank's assets. In 2012, the structure of the Bank's financing improved thanks to the following:

- prolongation of maturity of credit facilities from the BNP Paribas group,
- increase of the customer deposit base.

As compared to the end of December of 2011, the value of **loans and credit facilities received** decreased by 26.7% (or PLN 2,191 million), mainly as a result of:

- prepayment by the Bank of the tranches of credit facilities taken from the BNP Paribas group in relation with a higher local funding level and good liquidity situation of the Bank;
- renewal of maturing credit facilities in a slightly lower amounts;
- impact of the FX rate decrease on currency loans received.

The aforementioned effect was partially offset by a drawdown of additional funds from the European Investment Bank (PLN 205 million) to finance investment projects of small and medium-sized enterprises.

The principal component of loans and credit facilities received are credit facilities granted by the BNP Paribas group; as at the end of December 2012 they constituted 91% of loans received by the Bank.

Subordinated liabilities include subordinated loans from the BNP Paribas group. The increase in their value (by PLN 102 million, i.e. 17.1% as compared to December 2011) resulted from taking new subordinated loans of EUR 60 million and CHF 60 million in December 2012 which counterbalanced the repayment of subordinated liabilities for the total of PLN 60 million and EUR 60 million (in May and December 2012). In early January 2013, a credit facility of EUR 60 million was additionally repaid. Thanks to the changed currency structure of credit facilities, the capital adequacy ratio resistance to FX rate fluctuations was increased.

5.2.2.2. Customer deposits

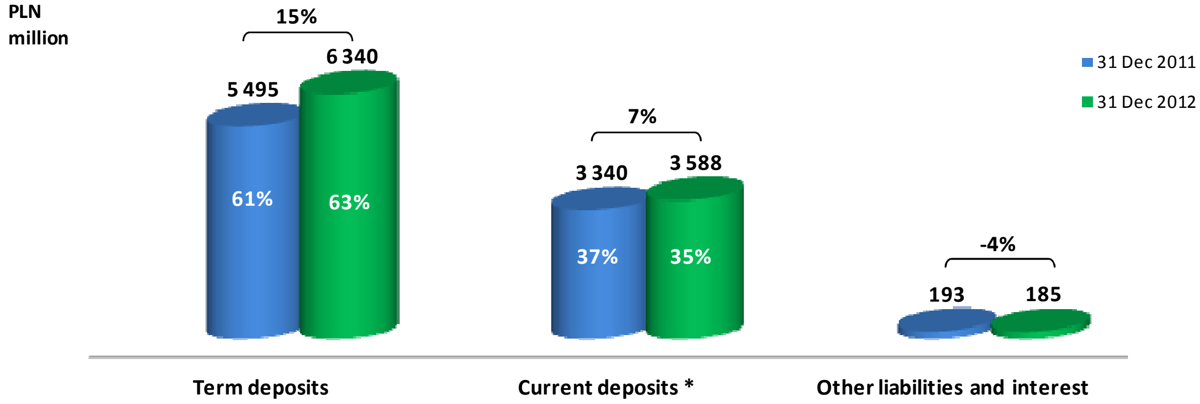
In 2012, the Bank consistently grew its customer deposit base as the stable source of PLN financing. As a result of an increase in the value of liabilities due to customers (by PLN 1,085 million or 12.0% as compared to the balance as at the end of December of 2011), their share in the total liabilities went up from 44% to 52%. This increase was mainly related to:

- PLN term deposits (by PLN 983 million or 19.8%), both of individual customers and large enterprises;
- core deposits on current accounts of business customers.

Deposits denominated in PLN represent 84% of total customer deposits. Their growth, as compared to December 2011, reached PLN 690 million i.e. 8.8% (the increase in term deposits, with surplus, offset a drop in core deposits on savings accounts held by individual customers). The balance of currency deposits, primarily foreign currency deposits on current accounts held by enterprises, also recorded growth (by 33.4%). In the structure of foreign currency deposits, EUR deposits are predominant (74% of foreign currency deposits and 12% of total customer deposits).

Structure of liabilities due to customers, by deposit type:

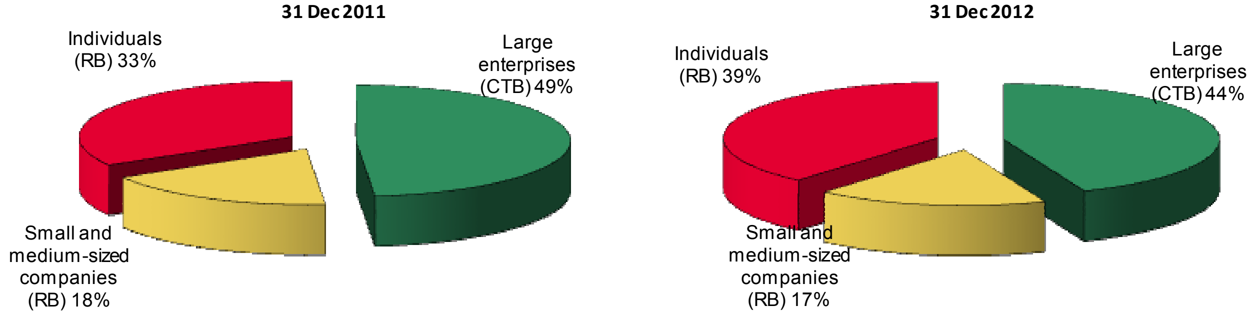
Chart 18. Structure of liabilities due to customers by deposit type as at 31 December 2011 and 31 December 2012



**inclusive of savings accounts, which at the end of December 2012 accounted for 30% of total current deposits*

Depositor structure of deposits:

Chart 19. Structure of customer deposits broken down by segments as at 31 December 2011 and 31 December 2012 (based on management data)



5.2.2.3. Equity capital

The equity capital rose by PLN 324 million (23.6%) as compared to December 2011 mainly owing to a new issue of shares addressed to the majority shareholder of the Bank. As a result of the issue of shares in June 2012, the increase of the share capital by PLN 228.5 million was registered, whereas the reserve capital was additionally augmented by the issue premium of PLN 30.4 million (reduced by the issue costs). The Bank's equity capital also rose due to growth of the revaluation reserve (refers to investments available for sale) and of the net profit generated by the Bank in 2012.

5.2.3. Capital Adequacy Ratio

The capital situation of BNP Paribas Bank Polska SA in 2012 remained stable, which allowed the Bank to safely continue its business activity and carry out plans. As at 31 December 2012 the capital adequacy ratio went up to 14.46% in comparison to 12.01% as at the end of December 2011.

The above growth resulted from the increase of the Bank's own funds included in the capital adequacy ratio calculation (from PLN 1,798 million at the end of 2011 to PLN 2,223 million or by nearly 24%), and primarily the growth of the core capital after the new issue of shares. Additionally, as at the end of December 2012, subordinated liabilities included in own funds stood at PLN 694 million versus PLN 590 million recorded as at the end of 2011. In January 2013, a subordinated loan of EUR 60 million was repaid as planned; excluding the loan repaid in January, the Bank's capital adequacy ratio would also be at high level of 12.87%.

The total capital requirement as at the end of 2012 reached PLN 1,229 million and was by 2.7% higher than as at the end of 2011.

5.2.4. Average interest rate of deposits and loans

Basic variable interest rates applied to loans by the Bank are based on WIBOR rate for PLN loans and LIBOR or EURIBOR rates for foreign currency loans.

Average nominal interest rates of current and term deposits at the Bank at the end of 2012, as compared to the end of 2011, was the following:

- PLN deposits: 3.69% versus 3.26%;
- FC deposits: 0.56% versus 1.05%.

Average nominal interest rate for total loans, both performing and non-performing loans, broken down by currency, was the following:

- PLN loans: 7.86% versus 8.35% in 2011;
- EUR loans: 2.75% versus 3.74% in 2011;
- USD loans: 1.98% versus 1.84% in 2011;
- CHF loans: 1.23% versus 1.31% in 2011.

5.3. Contingent Liabilities - Off-balance Sheet Commitments

Contingent off-balance sheet commitments evolution and structure are as follows:

Contingent liabilities granted and received (in PLN million)	31 Dec 2011	31 Dec 2012	Δ 2012/2011
Contingent liabilities granted			
- items related to financing	3 935	5 022	28%
- guarantees	1 925	1 922	0%
Total contingent liabilities granted	**5 860**	**6 945**	**19%**
Contingent liabilities received			
- items related to financing	3 288	1 462	-56%
- guarantees	378	490	30%
Total contingent liabilities received	**3 666**	**1 952**	**-47%**
Total contingent liabilities	**9 526**	**8 897**	**-7%**

Contingent financial commitments increased primarily with respect to unused credit lines (mainly overdraft credit facilities) granted to companies. The above commitments include credit lines granted and not utilised, credit card limits, unused overdraft credit facilities, loan commitment letters issued, general financing agreements and import letters of credit issued.

Off-balance sheet guarantee commitments granted, which remained on the similar level as noted last year, include guarantees issued in favour of customers, general guarantee agreements and export letters of credit issued.

The decrease of contingent financial liabilities received by the Bank resulted primarily from a reduction of unused credit lines taken by the Bank from the NBP and the European Investment Bank.

Off-balance sheet guarantee commitments obtained by the Bank encompass mainly guarantees and sureties that secure the granted loans. Their growth noted in comparison to December 2011 referred in particular to guarantees and counter-guarantees received from the banks of the BNP Paribas group.

5.4. Basic ratios

The basic ratios for the Bank are presented below:

Ratio	31 Dec 2011	31 Dec 2012
Return on Assets (ROA)*	0.11%	0.15%
Return on Equity (ROE)*	1.54%	1.81%
Earnings (loss) per share	0.87	1.10
Book value per share	56.95	59.18

The net book value per share is PLN 59.18. For proper calculation, the share capital, additional capital, revaluation reserve, other reserve capital, retained earnings from the previous years and the net profit (loss) for the fiscal year were included in own funds.

*These ratios were calculated per annum as follows:

Return on Assets (ROA)	Net profit/loss / average assets as at the end of four subsequent quarters in %
Return on Equity (ROE)	Net profit/loss / average equity as at the end of four subsequent quarters in %

5.5. Enforcement titles and value of collateral

In 2012, the Bank issued 165 enforcement titles in the enterprises and affluent individuals segments for the total amount of PLN 145,320 thousand as at 31 December 2012, in comparison to 165 enforcement titles issued in those segments in 2011 for the amount of PLN 47,133 thousand.

Moreover, in 2012 the Bank issued 23,197 enforcement titles and lawsuits in electronic writ of payment proceedings in the individual customers segment, valued in total at PLN 158,925 thousand as compared to 14,480 enforcement titles in the value of PLN 122,305 thousand issued in 2011.

The value of collateral established on borrowers' accounts and assets totalled PLN 90,831,710 thousand as at 31 December 2012, as compared to PLN 61,268,593 thousand as at 31 December 2011.

5.6. Management of financing sources

The basic sources of financing for lending activity include customer deposits accepted by the Bank both from enterprises and individuals as well as medium and long-term credit facilities granted by financial institutions, including credit lines and subordinated loans from entities that are part of the BNP Paribas group. Pursuant to the financing strategy followed by the Bank, the loan portfolio denominated in a foreign currency is financed primarily by credit facilities from the entities included in the BNP Paribas group, whereas the loan portfolio in PLN is mainly financed by funds acquired from individual customers and enterprises.

In the Bank’s opinion, the stability of financing sources is satisfactory.

Structure of financing sources	31 Dec 2011		31 Dec 2012		Change annually
	in PLN thousand	in %	in PLN thousand	in %	
Customer deposits	9,028,053	47%	10,113,114	55%	12%
Credit lines and subordinated loans	8,807,264	46%	6,717,538	36%	-24%
Equity capital	1,373,764	7%	1,697,954	9%	24%

In 2012, deposit balances of both retail and corporate customers increased.

The balance of the medium and long-term credit lines and subordinated loans decreased. In 2012, the Bank repaid credit lines in the aggregate amounts of CHF 814 million, EUR 352.5 million and PLN 550 million, and drew down subsequent tranches of financing from BNP Paribas for the total of CHF 725 million and EUR 90 million. In May 2012, the Bank repaid two subordinated loans of EUR 20 million and PLN 60 million, while in December the Bank repaid a subordinated loan of EUR 40 million and took new subordinated loans of CHF 60 million and EUR 60 million. Thanks to the steps taken, maturities of loans were extended.

The value of medium and long-term financing by the BNP Paribas group (including subordinated loans, without interest) as at the end of December 2012 amounted to PLN 6,180 million.

Furthermore, the Bank actively cooperates with European and international financial institutions, including the European Investment Bank and European Bank for Reconstruction and Development. At the end of December 2012, the amount of the disbursed financing made available by these institutions totalled PLN 404 million and EUR 30 million, respectively.

As a result of the share issue, the Bank's own equity was raised by PLN 260 million.

The Bank ensures its short-term liquidity through credit lines available in the interbank market.

6. PROSPECTS FOR ACTIVITY DEVELOPMENT OF BNP PARIBAS BANK POLSKA SA

BNP Paribas Bank Polska SA continues its current growth strategy in Poland, with strong focus on profitability and control of risk.

It is the ambition of BNP Paribas Bank Polska SA for the years 2013-2015 to build a universal bank which will be the main pillar of BNP Paribas group operations in Poland. The Bank intends to further develop its presence and market share in the following segments: individual customers (inclusive of private banking), micro, small and medium enterprises as well as domestic and international corporate customers

However, the realisation of this ambition will be influenced by the evolution of the domestic macroeconomic situation, evolution of the competitive environment and availability of financial resources for the Bank to develop its strategy.

In corporate customers segment (CTB), the Bank is pursuing its growth strategy with a multi-pronged approach, i.e. continued development of relationships with Polish subsidiaries of multinational corporations which are customers of the BNP Paribas group on a global scale, fully leveraging development of the Polish economy as well as the "One bank for Corporates in Europe" offer of the BNP Paribas group and stronger focus on Polish owned companies and mid–sized enterprises. The strategy is based on introduction of innovative solutions for key products adjusted to the customer needs, competitive price offering and a "one-to-one" relation with a chosen Relationship Manager, who cooperates with highly qualified product specialists (for products such as cash management, structured products, FX market, trade finance, factoring and lease, etc.).

The financing based on leasing and credit facilities, with a growing share of lease products, is treated as a key factor to establish and maintain relations. Additionally, it is accompanied by very active cross-selling of other specialist services. Fortis Lease Polska Sp. z o.o., in cooperation with the Bank, offers lease of fixed assets, including real estate, means of transport, construction machinery and specialist equipment for the industry.

In 2012 the Bank has broadened its range of competences in the Corporate and Transaction Banking (CTB) area, by adding Structured Finance, Public Sector and Institutions, likewise Real Estate. Pursuing BNP Paribas strategy to offer factoring services in its markets, in April 2012 the Bank acquired BNP Paribas Factor Sp. z o.o. Customers of the Bank have gained access to factoring services. Expansion of the Bank's Group by the factoring company means not only enhancement of business competence of the Bank but also new cross-selling opportunities as regards the offer for companies.

The sales network of the CTB Business Line operates through 8 Business Centres (BC) located in large cities countrywide.

The Bank closely cooperates with BNP Paribas SA Branch in Warsaw. Respecting the division of competences implemented between entities of the BNP Paribas group in Poland, the Bank provides a full range of commercial banking services and financing to a large base of corporate customers. By contrast, the Branch focuses on the provision of investment banking products to the Group in Poland and manages relationships with the largest corporate and institutional customers of the BNP Paribas group in Poland

The Bank endeavours to reinforce its position on the retail banking market. The Bank aims at providing to its customers a full range of credit facilities and services, including daily banking, consumer loans, investment loans, savings products and investment solutions for individuals, micro, small and medium-sized enterprises (SME) with special emphasis put on responsible lending and innovation. For affluent customers the Bank has introduced a new private banking offer, including brokerage office services.

In the segment of individual customers, the Bank continues to grow its cash loans and car loans business, investment and saving products, as well as daily banking services. In the coming years, the Bank will continue intense acquisition in the segment of individual customers. It is assumed that a new multi-channel sale model implemented in 2012, combined with the fully utilised potential of the Customer Relationship Management (CRM) tool, will significantly boost sales of auxiliary products (including personal accounts). The strategy is to improve sales management and sales quality and accelerate acquisition of clients through the Internet (leads purchase, revamping of internet platform, mobile banking implementation) and affinity marketing. Acquisition of new customers is accompanied by loyalty-building activities among the existing customers to enhance the customer retention. In the forthcoming years, the Bank's priority will be to motivate the acquired customers to actively and regularly use the products they have. Honesty and transparency are the foundations on which we build relations with our customers.

For Private Banking customers, the Bank plans improvement of its investment offer, accelerated up-streaming, including owners or managers of SME and CTB line companies and faster development of brokerage services.

As regards the SME segment, the Bank plans to develop a product offering that supports our customers' current business activity and its further growth. This offering includes attractive transaction packages, credit products available at good prices (inclusive of working capital and investment loans) as well as access to cash management, factoring, FX, trade finance and lease facilities. In this segment, the Bank plans an intensive, yet sustainable, growth of revenues, balanced development of its credit and deposit side and stronger emphasis put on development of transaction banking in comparison to lending activities. Non-interest income, i.e. income generated by operations on accounts, foreign exchange and trade finance transactions will play a significant role in boosting revenues in the SME segment. In 2013 the Bank plans implementation of a new standardised offer for micro companies.

The Bank's strength is its expert knowledge about acquisition of EU funding and access to loans financed by the EIB and EBRD. Agreements with the EIB and EBRD enable the Bank to finance investment projects of medium enterprises.

The Personal Finance business line operates as a specialised competence centre responsible for managing the consumer loans portfolio (cash loans, car loans and credit cards for individual customers). Products are distributed via the Retail Banking branches network and directly through car dealers. The Bank will continue to implement its strategy of customers acquisition and portfolio growth through promotional activities and development of its offering of consumer loans, car loans and PLN housing loans.

As regards the development of the multichannel international banking model (MIB), in addition to reinforcement of the Contact Centre, Internet and Mobile Banking, the network of branches will remain the primary distribution channel for Retail Banking and Personal Finance. The Bank has been carrying out the plan to modernise and improve visibility of the existing branches (revamping and alignment with the new branch model standards).

Planned commercial actions include marketing campaigns (greater share of promotions via the Internet vs TV ads), affinity marketing projects, prospecting actions based on prospect management tools, banking offering for the micro segment, specific actions addressing targeted customer segments, local events in front of branches and in high traffic places, etc.

Implementation of the adopted business strategy through balanced and ambitious development of the activity in the above segments, appropriate risk control system, stepping up effectiveness in the cost management area, boosting of operating revenues, improvement of financial results of the Bank, as well as ensuring high standards of customer service - are the priorities in the management of the Bank in 2013.

Further, these actions are reflected in the *Recovery Programme* prepared in accordance with Article 142 of the Banking Law Act and implemented with the consent of the Polish Financial Supervision Authority. The revised *Recovery Programme for BNP Paribas Bank Polska SA* as approved by the KNF in April 2012 is to be valid until 2014. As a result of the *Programme* implementation, the Bank expects an improvement of the cost/income ratio and general profitability, while keeping an adequate risk profile.

The Bank continued its activities under the Programme aimed at increasing the Bank's profitability, and undertook a number of measures to improve dynamics of the Bank's earnings and increase its operational and cost effectiveness. In the first quarter of 2012, the Bank’s management decided to implement an efficiency improvement programme (the Triathlon project) in order to optimise the cost base and thus create financial capacity to invest in the modernisation of the Bank and support its growth.

An important consequence of the restructuring is a redundancy programme announced on 9 May 2012 involving 355 employees mainly in central and back office organisation. Implementation of the redundancy programme resulted in 244 FTE reduction in 2012, and it is planned to complete reduction of the headcount across the Bank by mid 2013. The Bank has also simplified and optimised the organisational structure by a delayering and a decrease in the number of managerial positions. In the HR area, the Bank renegotiated also the terms and conditions of the contract with the medical care provider, and opened a training centre in Piaseczno.

Implementation of the above-mentioned restructuring programme is essential in order that the Bank strengthens its position in the market and is able to pursue, in a balanced manner, long-term development strategy for a universal bank servicing all customer segments, and acting in accordance with the principle of responsible banking, and to the satisfaction of both customers and employees.

In 2012 the Bank enjoyed an improvement of the loan portfolio quality thanks to the sale of a portion of non-performing loans (carried out in June and November 2012), stricter monitoring of repayments and more effective debt collection process, as well as improvement in quality of newly granted loans. In 2013, the Bank plans to continue selling the non-performing loans portfolio in the segment of individual customers and SME, and maintain the quality of newly acquired customers, which should result in further improvement of the loan portfolio quality.

The Bank's capital position remains secure. In 2012, the Bank’s management took steps to strengthen its capital position and ensure adequate level of liquidity in PLN. The above goals are carried out, among other things, by retaining earnings for 2011, increasing the PLN deposit base, providing capital injection by its majority shareholder made in June 2012, and making changes in the structure of subordinated debt.

The Bank’s (stand alone) capital adequacy ratio as at the end of 2012 reached the level of 14.46% and the Tier 1 ratio reached 10.07%. The Bank's liquidity position remains at a safe level. All regulatory measures are met, and the Bank maintains a liquidity buffer above the required minimum level. The Group's capital adequacy ratio stood at 13.80% as at 31 December 2012, thus substantially exceeding the minimum level of 8% as required under the *Banking Law Act*.

Upon extension, until the end 2013, of the deadline for fulfilment of the commitment to increase the free float of the BNP Paribas Bank Polska shares to at least 15% - the BNP Paribas group plans to increase the free float of the Bank’s shares via issuance of new shares and/or sale of the shares already issued, which may have a positive impact on the equity position of the Bank in 2013.

In view of the expected further downturn of the Polish economy, the projected decrease of GDP to 1.5% and new capital requirements imposed by the Polish regulator with respect to the capital adequacy ratio and security interest for foreign currency loans - the Bank's Board of Executives shall recommend retention of the 2012 profit.

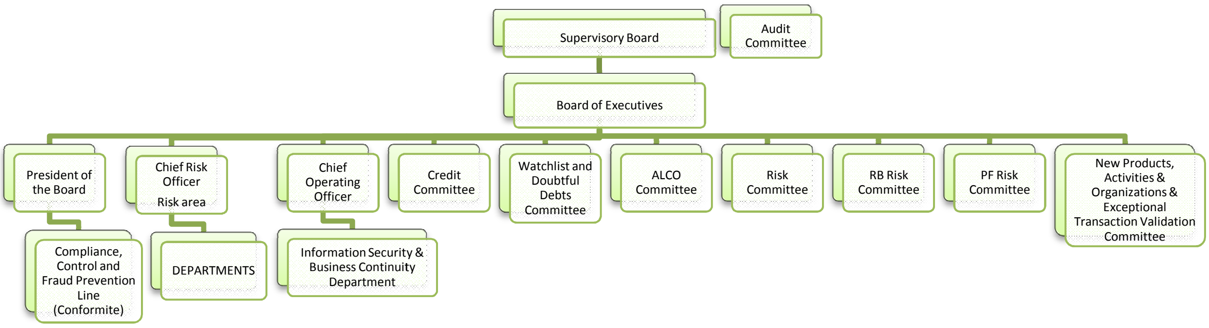
Similarly as in 2012, the Supervisory Board and Board of Executives do not publish the financial performance projections for 2013.

7. BASIC RISK TYPES AND RISK MANAGEMENT

The Bank identifies, measures, monitors and manages all types of risk that arise in its activity. The Bank divides monitoring, control and risk management processes into the following categories:

- credit risk and counterparty risk;
- liquidity risk;
- market risk, including:
  - foreign exchange risk (FX risk);
  - interest rate risk;
- operational risk.

To guarantee that the above-mentioned risk categories are identified, defined, as well as appropriately controlled and managed - the Bank observes numerous internal control procedures and risk level limits, which were described in detail in *Note 32 Risk Management* in the *Annual Financial Statements of BNP Paribas Bank Polska SA for 2012.*



The organisation of the risk management system comprises the Supervisory Board, Board of Executives, dedicated committees [Audit Committee at the Supervisory Board level, Assets and Liabilities Committee (ALCO), Risk Committee, Credit Committee, Watchlist and Doubtful Debts Committee, New Products, Activities and Organisations and Exceptional Transaction Validation Committee], Risk Area Departments, Compliance, Control and Fraud Prevention Line (Conformité) and Information Security and Business Continuity Department.

The Bank's Board of Executives formulates the risk policy and applies rules of risk management and control, develops the limit setting policy for material risk types as well as risk control procedures.

7.1. Credit risk

Credit risk is the risk of losses incurred by the Bank on account of granted loans arising from the customers' inability to meet their obligations and defined in a loan agreement.

In its business, the Bank grants loans and credit facilities likewise issues guarantees to customers, and also develops other forms of financing. This type of activity results in the Bank's exposure to risk that a loan or another form of financing granted by the Bank is not repaid by a borrower at a contractual date.

The credit risk management system at the Bank has been defined in the *Credit Risk Management Policy* approved by the Board of Executives. Detailed financing rules and criteria with respect to products offered by a given business line, types of loans available, financing purposes, limits and terms and conditions, are determined in credit policies for specific business lines. Pursuant to the credit policy criteria, the Bank's intention is to cooperate with customers with good reputation and in satisfactory economic and financial situation.

Credit policies specify also detailed rules of risk identification, measurement and acceptance, collateral for loan repayment and monitoring customers over the course of the loan agreement.

The credit risk management process is adjusted to the business line structure adopted by the Bank. An organisationally separate Risk Area, headed by a Member of the Board of Executives in the function of the Chief Risk Officer - performs the key role in the credit risk management. The credit risk management activity is supported by dedicated committees.

The Bank assesses the borrower risk using the rating and scoring classification systems and risk classification according to IFRS.

Credit decisions are made according to the decision-making model approved by the Bank's Board of Executives and the Supervisory Board, and adjusted to the standards applicable in the BNP Paribas group. The decision-making model takes into consideration the business lines' structure, determines the number of decision-making levels, the scope of their authorisation powers, likewise the rules, criteria and conditions of making credit decisions. Amount thresholds of delegated decision powers depend on the following criteria: customer segment, customer risk profile and financing term.

In 2012 the Bank introduced changes in the credit risk management system in order to increase its effectiveness. The most significant changes include:

- introduction of new solutions into the credit process for SME customers, namely: a model of selecting a credit process, and a new credit process for customers towards which the Bank's total exposure is up to PLN 0.75 million. (accelerating and simplifying the credit decision-making process for SME customers);
- joining the AMRON system (increasing the effectiveness of assessment of real estate values that are to secure credit exposures, and monitoring their values in the course of an agreement);
- introduction of the Global Recovery Rate parameter (which is expressed as a percentage of the potential likelihood of credit losses recovery in case of a default event occurrence) to assess the credit risk when making credit decisions. This parameter is planned to be used in the assessment of the Bank's credit risk profile;

- implementation of the internal control system of the credit risk in the lending process exercised by an independent organisational unit of the Bank in the Risk area;
- development and implementation of a new IFR rating model for customers that keep full accounting;
- introduction of changes in the credit decision-making rules at the Bank and in delegation of decision-making powers (simplification and standardisation of the model; adoption of the *4-eyes principle* for the risk acceptance at all levels of decision making).

7.2. Counterparty risk

Counterparty Risk is a credit risk related to the counterparty to transactions with the obligation amount varying over time, depending on market parameters. Thus the counterparty risk is related to transactions in instruments whose value may change over time depending on such factors as the level of interest rates or FX rates. A different value of exposure may affect the customer solvency and is fundamental for the customer's ability to meet its obligations at the time of transaction settlement.

The Bank determines the exposure amount on the basis of the current valuation of contracts and the potential future change in the exposure value, depending on the transaction type, customer type and settlement dates.

As at the end of December 2012, the counterparty risk calculation included the following transactions recognised in the Bank's trading book: FX transactions, interest rate swap transactions, FX options and interest rate options.

Counterparty credit risk assessment with respect to transactions generating counterparty risk is similar to the assessment performed for lending. Rules of entering into FX and derivative transactions, likewise granting, using and monitoring credit limits for such transactions with customers are regulated at the Bank in dedicated procedures. Under the policy adopted, the Bank enters into any transactions based on individually assigned limits and following the knowledge of customer. The Bank has defined product groups offered to customers depending on their individual knowledge and experience.

7.3. Liquidity and market risks (interest rate and FX risk)

Liquidity risk is defined as the risk of being unable to fulfil obligations at an acceptable price in a given place and currency.

FX risk is the risk of adverse changes in the Bank’s financial result caused by changes in market FX rates.

Interest rate risk is the risk of unfavourable changes in the Bank’s financial result or the Bank’s capital, which arises from one of the following reasons:

- differences between dates of interest rate change of the Bank's assets and liabilities that finance them (mismatch risk);
- changes in market interest rates that affect the fair value of the Bank’s open positions (interest rate fluctuation risk);
- exercise by customers of options built in the banking products, which may be exercised as a result of changes in market interest rates (customer option risk).

The Bank monitors the liquidity risk, FX risk and interest rate risk by means of a formal system of limits and reports.

The system of limits covers the majority of analysed parameters of liquidity, FX and interest rate risks. The limits are set in such a way so as to:

- keep the desired market risk profile defined in the Bank’s strategy;
- not exceed the risk level acceptable by the BNP Paribas group.

In the event a limit is exceeded, the unit responsible for keeping the reported values below a given limit is required to undertake actions to enable reduction of a given risk pursuant to procedures binding in the Bank.

The information system used in the risk management ensures accumulation of data on interest rate operations and transactions, market interest rate levels and the risk measures applied.

As regards the risk management, the Bank’s policy objective is that employees responsible for the supervision and service of risk management processes have high moral standards and long-term expertise and theoretical knowledge required for such duties.

In its policy, the Bank has adopted a rule that business functions (direct transaction conclusion), operating functions (e.g. transaction booking, transaction settlement), control functions (risk level measurements and monitoring), that are part of the FX, interest rate and liquidity risk management, are performed by units that are organisationally separate.

The policy that consists in a plain separation of:

- business functions from the risk level control functions - is to ensure that the quality of FX and interest rate risk level control would not deteriorate as a result of an internal conflict of interest, and that any control results that show an excessive FX risk would trigger an appropriate response of the Bank’s management,
- operating functions from the risk control function - is to ensure that the quality of risk level control would not worsen as a result of an internal conflict of interest, and that any control results that show an excessive risk level would trigger an appropriate response of the Bank’s management,
- operating functions from business functions, is to ensure that the quality of operating processes would not decrease as a result of an internal conflict of interest.

The Bank has developed policies on risk control and management including the procedure in the event of crisis situations. The said policies refer also to FX and interest rate risk management processes.

Liquidity risk

In the Bank's assessment, the liquidity risk is divided into:

- financing liquidity risk, understood as the risk of a failure to fulfil the expected or unexpected requests for payment of funds, without incurring unacceptable losses or without putting the business activity at risk.
- market liquidity risk refers to an impossibility of selling assets due to inadequate market depth or occurrence of market disruptions. Such risk is therefore to some extent related to the market risk. The market liquidity risk manifests changes of the portfolio liquidation value due to changes in the portfolio value represented by the mark-to market valuation. The liquidity risk involves uncertainty as to the time needed to liquidate assets.

The Bank identifies the following liquidity types:

- immediate liquidity – within a current day,
- future liquidity – for a period exceeding the current day, which may be further broken down by the following:
    - current liquidity – for up to seven (7) days,
    - short-term liquidity – from over seven (7) days up to one (1) month,
    - medium- and long-term liquidity - above one (1) month.

The Bank defines liquidity risk as the risk of losing its ability to:

- settle its payment obligations on time,
- acquire funds alternative to the funds currently held,
- generate positive cash flow balance within a specified time horizon.

The Bank's strategy consists in the following:

- Ensuring high quality standards for the liquidity management processes. Under the strategy, measures aimed at improving the quality of the liquidity management processes have been assigned the top priority at the Bank;
- Striving to ensure that the Bank's dependence on market conditions is limited to such an extent that in a market crisis the Bank will be able to keep its liquidity for one month, without limiting the range of services or initiating changes in the core business. In the event of a market crisis lasting for a longer period, the Bank's strategy provides that liquidity would be sustained, however, the previous development direction might be changed in this situation, and the Bank would allow of costly changes in the business profile;
- Minimisation, in an active way, of the prospect for the occurrence of unfavourable events for the Bank. Considering that the probability of such factors occurrence may not be completely eliminated, the Bank's strategy consists also in ensuring that, should such factors occur, the Bank will sustain its financial liquidity at minimum own costs (measurable and immeasurable) and take efficient steps to regain the confidence of customers and financial institutions as soon as possible.

FX risk

The Bank runs business, which results in taking FX positions that are sensitive to market FX rate changes. At the same time, the Bank strives to limit the exposure to FX risk related to offering FC products to customers. The Bank carries out a limited activity on the FX market in order to generate a financial result on short-term arbitrage positions.

The Bank's exposure to the market FX risk is mitigated by a system of limits. Pursuant to the Bank's policy, the market FX risk level is managed by the Treasury Department through the management of an intraday FX position and end-of-day FX position. In order to effectively and precisely manage the FX position, an information system is used which provides up-to-date information on the following:

- FX position,
- total FX position,
- Value at Risk (VaR);
- daily profit/loss on the FX position management.

FX position and VAR are limited and reported as the end of day by the Risk Capital Market Department.

To measure the FX risk, the Bank applies the Value at Risk (VaR) method. It is a change in the market value of an asset or a portfolio of assets, with specific market parameters assumed, within a defined time frame and with a pre-set level of probability. It is assumed that for the FX risk monitoring needs, the VaR is determined with the 99% confidence level. The VaR calculation for F/X risk includes the one-day term for keeping FX positions. The VaR methodology is subject to a quarterly quality control by comparing the projected values with the values determined on the basis of actual FX rate changes, assuming that the given FX position is maintained (a historical review or the so-called 'back testing'). The comparative period is the last 250 business days.

Interest rate risk

The Bank carries out operations that result in open interest rate risk positions.

The market interest rate risk is concentrated in two separate portfolios: ALM portfolio and Treasury portfolio managed by the ALM/Treasury Line. The above portfolios were divided considering re-pricing dates of items which they comprise. The ALM portfolio contains items of longer re-pricing terms than the Treasury portfolio.

The Bank, with a significant scale of its trading activity, holds a banking book and a trading book, pursuant to Resolution 76/2010 (as amended) of the Polish Financial Supervision Authority.

According to the Bank's policy, the interest rate risk is analysed both jointly and separately for each of the said books. The banking book comprises the entire ALM portfolio and some part of the Treasury portfolio which does not belong to the trading book.

An essential part of the ALM portfolio consists of banking book transactions which are not made by the ALM/Treasury Line but result from the activity of business lines offering deposit and credit products to the Bank's customers.

The ALM portfolio also includes transactions that hedge the interest rate risk generated by products offered to the Bank's customers and the securities portfolio maintained.

The Bank's policy indicates the following basic analysis types to assess an interest rate risk:

- Value at Risk (VaR), computed with the 99% confidence level for various periods of keeping a position for the banking and trading books;
- interest earnings at risk (EaR) - simulations of future (within the next year) net interest earnings assuming diverse interest rate curve scenarios,
- Duration of Equity – assigning the Bank's capital position a hypothetical time limit in such a way that an average weighted duration of assets of a given portfolio is equal to the average weighted duration of liabilities in this portfolio;

- sensitivity to the parallel shift of the interest rate curve,
- Modified Duration - determination of sensitivity of the present value of a position or a portfolio to the interest rate level change.

The analyses constitute the basic part of the system of limiting the interest rate risk at the Bank. Particular analyses are carried out for relevant portfolios on a daily, monthly or quarterly basis, depending on an analysis type and portfolio, for which they are performed.

Moreover, the Bank carries out analyses of the banking book sensitivity to extreme interest rate changes, using significantly higher interest rate changes than usually observed (stress tests).

7.4. Operational risk

For the needs of the operational risk management, the Bank adopted a definition binding in the BNP Paribas group, according to which operational risk is understood as the risk of incurring economic loss resulting from an application of inappropriate or ineffective internal processes or from external events, irrespective of whether the events were intentional, accidental or driven by natural causes. Internal processes can include issues related to IT systems applied at the Bank and human resources management. while external events are understood to include floods, fires, earthquakes or terrorist attacks.

Operational risk is the basic risk inherent in the Bank's business activity, which increases proportionally to the complexity of organisation, systems applied, likewise products and services offered. Operational risk includes in particular legal risk and compliance risk.

The Bank's operational risk profile constitutes an assessment of the risk level of concern, understood as the level of exposure to operational losses. It is defined during annual operational risk mapping sessions, at which the operational risk is assessed for the main operational risk factors (people, processes, systems and external events) and the Bank's key processes.

The operational risk management consists in continuous operational risk identification, analysis, monitoring, risk control and mitigation processes, including determination of relevant scopes of responsibility for the above processes at different organisational levels of the Bank. A cause-and-effect analysis of an event is the basis for operational risk management. The Bank's policy regarding operational risk management is described in the document approved by the Bank.

The Operational Risk Management Policy of BNP Paribas Bank Polska SA determines the Bank's objectives and methods of their accomplishment as regards the quality of operational risk management, likewise the Bank's adaptation to legal requirements arising from recommendations and resolutions issued by the banking supervisory authorities.

With respect to the operational risk management quality, the Bank's objective is to introduce and maintain a high level of operational risk management and assessment that will guarantee the safety of customers' deposits and capital and stability of the Bank's financial result. As regards the Bank's adaptation to the legal requirements concerning operational risk, the Bank's aim is to implement and apply an operational risk management and assessment system that meets legal requirements consistent with recommendations and resolutions of the local financial supervision authority, concerning the operational risk management and assessment.

The Bank's Board of Executives makes a periodic assessment of how the Bank's operational risk management policy assumptions are put into practice. With this end in view, the Bank's Board of Executives is kept informed on an on-going basis on the scale and types of operational risk the Bank is exposed to, and also its consequences and operational risk management methods.

Ongoing examination of operational risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, i.e. the Oversight of Operational Permanent Control Department, which operates within the Compliance, Control and Fraud Prevention Line (Conformité). The co-ordination of the process of operational risk management in the units belonging to the Technology, Operations and Process Services (TOPS) Line falls within the competence of the Information Security & BCP Department. The Real-Estate Contracts and Insurance Group in the Facility Management and Administration Department is responsible for establishment and implementation of the Bank's strategy in terms of bank insurance, as a risk mitigation method.

The Bank precisely divides duties related to operational risk management, adjusted to the existing organisational structure of the Bank, taking into account recording of operational events, as well as monitoring, mitigating and reporting of the operational risk level.

Recording operational events enables an effective analysis and monitoring of operational risk. The operational event recording process is supervised by the Oversight of Operational Permanent Control Department, which also keeps content-related documentation of the data recorded and is responsible for data quality and completeness.

The Bank is particularly committed to identification and assessment of reasons for current exposure to operational risk related to banking products, reduction of operational risk by improving internal processes and mitigation of operational risk that accompanies the introduction of new products and services.

Operational risk management instruments include:

- IT software application to record operational events along with the rules of their recording, allocation and reporting;
- analysis, monitoring and daily control of operational risk;
- mitigation and transfer of operational risk;
- calculation of a capital requirement for operational risk.

Under the Bank's policy, operational losses are allocated to business lines. The principal idea of allocation is to ensure that the business line management is directly interested in the control quality and efficiency of mitigation of operational risk accompanying the service of specific products.

Risk areas that are vital for products offered by the Bank are subject to ongoing monitoring of exposure to operational risk. To this end, the Bank monitors the operational risk level on the basis of results of regular operational controls defined for the essential areas of the Bank's business. The operational permanent control system is now in its implementation phase. Furthermore, every year operational risk mapping sessions are held to determine the the Bank's operational risk profile through the operational risk assessment for the main operational risk factors and the Bank's key processes. One of effects of the above analysis are remedial actions formulated when shortcomings of increased exposure to operational risk are identified.

The Bank periodically verifies efficiency of the implemented operational risk management system and its adequacy to the Bank's current risk profile. The operational risk management system is supervised and regularly reviewed by the Audit Department, which is operationally independent and employs competent and appropriately trained staff. The Bank's Supervisory Board oversees the control of the operational risk management system and assesses its adequacy and efficiency.

In order to compute the capital requirement for covering the operational risk, the Bank uses the Basic Indicator Approach.

As part of legal risk management, the Legal and Organisation Department monitors, analyses and notifies about any risks or irregularities identified. Ongoing examination of the compliance risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, the Compliance Department.

In view of growing external and internal threats that bear signs of fraud or offence against assets of the Bank or its customers, likewise continuously improved modus operandi of such incidents, the Bank has extended and enhanced the process of counteraction, detection and examination of such cases. There is a specialised unit, the Fraud Protection Department that sees to accomplishment of these objectives.

Compliance risk

The Bank considers its image and confidence, which is systematically built in relationships with its customers, counterparties, shareholders and employees, as one of the primary factors that condition efficient operation and implementation of the Bank's mission and business strategy. A failure of the Bank and its employees to comply with the generally binding law provisions or internal regulations is considered one of the greatest threats to the Bank's good reputation and image.

Therefore, in order to ensure security and stability of the Bank's business, especially through elimination or mitigation of compliance risk and the related risk of legal sanctions, financial losses or reputation loss, essential for the present and future position of the Bank in relation to its competitors and the public, the *Compliance Risk Management Policy at BNP Paribas Bank Polska SA* has been implemented. At the same time, processes of monitoring, identification and analysis of compliance of the Bank's internal regulations, banking practice and the conduct of Bank's employees with the binding regulations, have been introduced. The said processes are the responsibility of the Compliance Department.

The Bank developed an internal *Customer Acceptance Policy* and implemented necessary IT software to verify whether customers serviced were recorded on sanctioned entities lists or not, and adjusting the Bank's operation to the requirements of the *Anti-Money Laundering and Counter-Terrorism Financing Act*, which is a part of the compliance risk management.

Additionally, the Bank has implemented internal regulations of an ethical nature, i.e. Code of Conduct of Employees, Regulations on Bank Employees' Personal Transactions or Rules for Managing Conflict of Interests, which are presently applicable. With respect to ensuring compliance, the regulations related to acting in the interest of customers, in particular arising under the law provisions such as the *Act on Trading in Financial Instruments*, which is a transposition of the EU MiFID, play an important role.

7.5. Security Policy

Considering that financial services require specialist knowledge and permanent access to data, while reliable information determines the financial entity's market position, the Bank pays particular attention to system solutions that provide continuous and appropriate protection of information against threats.

The system solution that allows for improvement, monitoring and control over the information security at each level of the Bank's management is the Information Security Management System (ISMS). The Information Security Management System covers the areas of data communication security, physical security, compliance risk, personal data security, business continuity and crisis management.

Since 2008, the Bank has got the ISO Information Security certificate which confirms the compliance of the Information Security Management System with requirements of the ISO/IEC 27001 international standard. In 2012, BNP Paribas Bank Polska SA was subjected to another re-certification Audit conducted by an external auditor. The Audit was successful and resulted in extending the Bank's right to use the ISO/IEC 27001 certification until February 2015.

The system Information Security Management is part of the Bank's strategy and confirms a high quality of the services offered. The ISO certificate obtained proves that the Bank's activity is based on, and complies with requirements of the international standard regarding information security, including data communication, likewise physical and business continuity security.

Financial data regarding the risk management are described in Note 32 of the Annual Financial Statements of BNP Paribas Bank Polska SA for 2012.

7.6. Proceedings pending before Court, Relevant Arbitration Body or Public Administration Body

The Bank acts as a defendant and plaintiff in court or administrative proceedings while conducting its regular banking activity. In no case the value in dispute exceeds 10% of the Bank's equity capital.

In the first half of 2012 there were no resolutions in the proceedings pending since 2001 before the Office of Competition and Consumer Protection (the Office) as regards the issue of using practices that limit competition on the payment cards market by VISA and MasterCard as well as 20 banks, including BNP Paribas Bank Polska SA. To secure against an unfavourable outcome of the case, in 2007 the Bank created a provision of PLN 2.9 million.

As at 31 December 2012, the total value of 13 claims (including summons to a conciliatory settlement) against the Bank regarding the FX derivatives made by the customers amounted to PLN 140 million (principal amount). The claims are primarily based on the questioning of the validity of the transactions concluded. The highest claim in this group concerns a summons to a conciliatory settlement for PLN 54 million (the principal amount) on account of option transactions questioned. The conciliation proceedings resulted in reaching no settlement, however the Bank has not yet received a lawsuit in this case. The Bank assesses the risk of losing potential litigation as low.

8. AFFILIATED ENTITIES

8.1. Profile of Shareholders holding over 5% of votes at the General Meeting

8.1.1. BNP Paribas SA

BNP Paribas SA based in Paris (16 boulevard des Italiens, 75009 Paris, France) is the higher level parent company in relation to BNP Paribas Bank Polska SA. BNP Paribas SA is the parent company of the BNP Paribas group.

BNP Paribas SA is a French joint-stock company (société anonyme) authorised to conduct banking activity under the French Monetary and Financial Code, Book V, Title 1 (Code Monétaire et Financier, Livre V, Titre 1er). It was incorporated under a decree dated 26 May 1966. The company's duration was extended to 99 years as from 17 September 1993. In addition to detailed rules regarding the company's status as an entity operating in the banking sector, BNP Paribas SA is governed by the French Commercial Code (Code de Commerce) which applies to commercial companies and partnerships, and by the provisions of the Statute.

BNP Paribas SA has been registered in the Register of Commerce and Companies in Paris (RCS Paris) under number 662 042 449.

As at 31 December 2012, the share capital of BNP Paribas SA amounted to EUR 2,483,386,948 and was divided into 1,241,693,474 fully paid up shares, with a nominal value of EUR 2 each. These shares are inscribed or bearer shares, at their owner's discretion, subject to the applicable law provisions.

BNP Paribas SA is a public company. BNP Paribas SA shares are listed on the NYSE Euronext Paris (Compartment A, ISIN code: FR0000131104). BNP Paribas SA shares are included in: the CAC 40 index (top 40 companies among 100 highest market capitalisations), SBF120/SBF250, EURONEXT100 and others.

The BNP Paribas group is the leader of banking and financial services in Europe. BNP Paribas group operates in over 80 countries worldwide and has 188,600 employees, including over 140 thousand in Europe. The group maintains a leading position in three core businesses, which are complementary to one another:

- *Retail Banking* that includes:
  - *Domestic Markets* comprising a network of retail banking in France (FRB), Italy (Banca Nazionale del Lavoro), Belgium (BRB) and Luxembourg (LRB) (BNP Paribas Fortis and BGL BNP Paribas);
  - *International Retail Banking* that comprises all retail banks of the BNP Paribas group outside the euro zone, including BNP Paribas Bank Polska SA;
  - *BNP Paribas Personal Finance*;
  - *Equipment Solutions* - units that provide assets financing services (BNP Paribas Leasing Solutions, Arval, BNP Paribas Personal Investors).
- *Investment Solutions* comprising Wealth Management - Private Banking and Assets Management services, Investment Partners - asset management services, Securities Services - custody services; Insurance and Real Estate Services - insurance and real estate management services;
- *Corporate and Investment Banking, CIB,* which comprises the Fixed Income, Advisory & Capital Markets - investment advisory and capital markets, and Corporate Finance - corporate banking within specialised services or Structured Finance.

BNP Paribas was named Bank of the Year 2012, the prestigious title given by International Financing Review ("IFR"), Thomson Reuters' leading financial industry publication. This award further validates the strength of BNP Paribas' balanced and diversified business model.

The BNP Paribas group has been operating in Poland through a number of subsidiaries, in particular BNP Paribas Bank Polska SA and BNP Paribas SA Branch in Poland. The following services are also rendered to customers through specialised group subsidiaries:

- investment services (BNP Paribas Investment Partners, TFI BNP Paribas Polska SA);
- custody services (BNP Paribas Securities Services SA - Branch in Poland);
- insurance (Towarzystwo Ubezpieczeń na Życie Cardif Polska SA, Cardif Assurances Risques Divers SA - Branch in Poland);
- lease (BNP Paribas Leasing Solutions through BNP Paribas Lease Group Sp. z o.o. and Fortis Lease Polska Sp. z o.o.);
- car fleet financing and management (Arval Service Lease Polska Sp. z o.o.);
- factoring (BNP Paribas Factor Sp. z o.o.);
- real property management (BNP Paribas Real Estate Advisory and Property Management Poland Sp. z o.o.).

Financial performance for 2012 based on unaudited financials:

In 2012, the BNP Paribas group completed the process of adaptation to new capital requirements under Basel 3, before the due date. As at the end of December 2012, the level of core capital ratio (Tier 1) was 9.9%, which shows the strong capital position of the group.

The BNP Paribas group has achieved solid financial results in a challenging economic environment: the euro zone fell into recession again (GDP: -0.4%), and the crisis in the capital markets continued throughout most of the year. Despite those unfavourable conditions, the group's revenues amounted to EUR 39,072 million, i.e. fell by only 7.8% compared to the year 2011. The above situation was affected by several one-off factors totalling EUR -1,513 million: losses on the sale of treasury bonds, losses on the sale of loans, revaluation of own debts, and the one-off amortisation of fair value adjustments of a portion of the Fortis banking book due to early redemption.

Operating revenues of business lines grew by 0.8%, showing high resistance to the external situation. Gross operating income stood at EUR 12,522 million, i.e was by 23% lower compared to 2011.

The group's cost of risk, which amounted to EUR 3,941 million, fell by 42% compared to 2011, when the impact of the aid package for Greece was recognised. Upon elimination of that impact, the cost of risk would be by 9.2% higher than in 2011.

Positions other than resulting from operating activities amounted to EUR 1,791 million. This includes two extraordinary events: the capital gain from the sale of shares in Klepierre SA, and impairment provisions in connection with the capital requirements in Italy.

The group's profit before tax reached EUR 10,372 million, and was by 7.5% higher compared to the last year. Business lines generated profit before tax of EUR 11,574 million.

BNP Paribas group generated net profit (attributable to equity holders) in the amount of EUR 6,553 million, thanks to the large diversification of operations. Return on equity (ROE) was 8.9%, almost unchanged compared with the previous year.

Earnings per share amounted to EUR 5.16 as compared to EUR 4.82 in 2011. Net book value per share reached EUR 60.8, i.e. was by 4.5% higher compared to the last year).

Details related to the BNP Paribas group and its financial results are available at: http://www.bnpparibas.com

BNP Paribas SA is the parent entity of BNP Paribas Fortis SA/NV, based in Brussels.

8.1.2. BNP Paribas Fortis

BNP Paribas Fortis SA/NV based in Brussels (formerly: Fortis Bank SA/NV (Montagne du Parc 3, B-1000 Brussels, Belgium) has been part of the BNP Paribas SA group since May 2009.

BNP Paribas Fortis SA/NV is a joint-stock company, incorporated under Belgian law on 5 December 1934. In Belgium, the company has been entered into the Register of Legal Entities, under number 0403.199.702.

The paid-up share capital of BNP Paribas Fortis SA/NV is EUR 9,374,878,367.40. BNP Paribas Fortis SA/NV issued 483,241,153 shares, of which 74.93% is held by BNP Paribas SA, and 25% is owned by the Belgian State through the investment entity SFPI (Société Fédérale de Participations et d'Investissement), whereas the remaining 0.07% is held by dispersed shareholders.

8.1.3. Dominet SA

Dominet SA in liquidation with its registered office in Warsaw (ul. Suwak 3, 02-676 Warsaw) holds share capital of PLN 2,971,349. Through Dominet SA in liquidation, BNP Paribas Fortis SA/NV holds 5,243,532 shares of BNP Paribas Bank Polska SA, i.e. 18.27% of the Bank's share capital. On 1 August 2012, the process of Dominet SA liquidation started.

The sole shareholder of Dominet SA is BNP Paribas Fortis SA/NV which holds directly 100% of shares and votes at the company's general meeting.

8.2. Subsidiaries

BNP Paribas Bank Polska SA is the parent entity of the following subsidiaries: Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A., Fortis Lease Polska Sp. z o.o. and BNP Paribas Factor Sp. z o.o., holding 100% of their shares.

8.2.1. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (TFI BNP)

TFI BNP operates on the basis of the permit issued by the Polish Financial Supervision Authority as regards:

- setting up investment funds and their management;
- acting as agent in distribution and redemption of participation units and participation titles to foreign investment funds;
- management of portfolios of financial instruments of individual customers.

TFI BNP manages BNP Paribas Fundusz Inwestycyjny Otwarty – open investment fund (formerly: Fortis FIO) launched on the Polish market in 2005. BNP Paribas FIO is the first umbrella fund on the Polish market with separated sub-funds. In 2012 the fund comprised the following subfunds BNP Paribas FIO Akcji (Stock), BNP Paribas FIO Stabilnego Wzrostu (Stable growth), BNP Paribas FIO Papierów Dłużnych (Debt securities), and established in January 2012 - BNP Paribas FIO Sektorowy (Sector) and BNP Paribas FIO Komercyjnych Papierów Dłużnych (Commercial debt securities). Within the BNP Paribas FIO there are also available the Individual Pension Account - IKE BNP Paribas FIO and Individual Pension Security Account - IKZE BNP Paribas FIO.

As part of the financial instrument portfolio management activity conducted by the company since 1996, comprehensive solutions are offered with respect to investments on capital markets, both in Poland and abroad. TFI BNP offers equity, balanced and debt securities portfolios, including also Polish and foreign funds portfolios, as well as active allocation portfolios with a defined share of equity. Structured bond portfolios are available within individual portfolios, whereas customers interested in primary market offerings may choose an IPO Portfolio.

Under the agreement of 5 November 2007, the Bank cooperates with TFI BNP as an agent offering financial instrument portfolio management services. In cooperation with the Private Banking Department, the asset management services of TFI BNP are offered to high net worth individuals who are customers of the Bank.

The share capital of TFI BNP amounts to PLN 9,048 thousand, and is divided into 377,000 shares with the nominal value of PLN 24 each. The own equity level is sufficient for safely conducting current operations.

On 30 April 2012 there was a change in the composition of the Management Board of TFI BNP. The existing President of the Management Board, Ms Małgorzata Dominiczak-Zielińska and a member of the Board, Mr Marek Fido, resigned form their positions. On 30 April 2012 the Supervisory Board appointed Mr Daniel Ścigała, Head of the Private Banking Department at BNP Paribas Bank Polska SA, to the position of the President of the Management Board, and Ms Izabela Stawowa to perform duties of the Board member. Ms Stawowa is also the Compliance Officer at TFI BNP.

Since May 2012, TFI BNP has implemented a restructuring process which consists in reducing the headcount, cost optimisation and working out an efficient cooperation model with BNP Paribas Bank Polska SA as regards distribution of investment products offered by TFI BNP.

On December 12, 2012 the Supervisory Board of TFI BNP accepted the resignation of Mr Daniel Ścigała and appointed Mr Andrzej Ząbek to the position of the TFI BNP Management Board President, and at the same time, appointed Mr Rafał Lerski to the position the Management Board Member since 1 January 2013.

TFI holds a share capital of PLN 9 million, which is divided into 377,000 shares (authorised capital amounts to PLN 13.2 million).

8.2.2. Fortis Lease Polska Sp. z o.o.

Fortis Lease Polska is a lease firm which specialises in leasing solutions, such as operating or financial leasing, tailored to the needs of enterprises. FLP has been in business on the Polish market since 2000. As at the end of 2012, customers' exposure towards Fortis Lease Polska amounted to PLN 1,669 million.

FLP offers lease of real estate and a wide range of fixed assets, which include construction, agricultural and industrial machinery, means of transport, i.e. passenger cars and trucks, including rail, air and water means of transport, as well as IT and office equipment. Lease of real estate plays the most important part, its share accounts for more than half the value of the portfolio, whereas machinery - about 25% and vehicles - about 21%. In terms of the type of a product financed, the respective structure of the portfolio has not changed significantly compared to the last year. The described interrelations are presented in the table below.

Segment	Share in 2011 portfolio (%)	Share in 2012 portfolio (%)
Real estate	49.78%	51.84%
Machinery	23.30%	24.54%
Trucks	18.02%	14.94%
Passenger cars	5.80%	5.93%
Other means of transport	2.11%	1.99%
IT and office equipment	0.99%	0.75%

FLP's portfolio comprises contracts in PLN, EUR and CHF. The share of contracts in Swiss francs is consistently declining. Currently, contracts in Polish zlotys account for 54% of the portfolio. The share of contracts in euros remains, more or less, at the same level and amounts to 39%.

Currency	Share in 2011 portfolio (%)	Share in 2012 portfolio (%)
PLN	50.89%	54.14%
EUR	39.24%	38.99%
CHF	9.87%	6.87%

FLP provides services mainly to the Bank's customers - currently about 1,900 customers. Customers of the CTB line - 69% constitute the majority of the portfolio and 23% (up from 18% last year) – customers of the RB line.

FLP holds share capital of PLN 115 million, which is divided into 11,500 shares. As at 31 December 2012, FLP's assets amounted to PLN 1.8 million.

8.2.3. BNP Paribas Factor Sp. z o.o.

On 2 April 2012, BNP Paribas Bank Polska acquired 100% of shares in Fortis Commercial Finance Sp. z o.o, a company with its registered office in Warsaw, from a Dutch company, Fortis Commercial Finance Holding N.V. On 21 June 2012, the company changed its name into BNP Paribas Factor Sp. z o.o.

Beneficiaries of these changes are customers of BNP Paribas Bank Polska who obtained access to factoring services. From the perspective of the Bank, the new structure will not only enhance business competence but also bring new cross-selling opportunities as regards the offering addressed to corporate customers. Ownership changes did not alter anything in relations between the Company and its customers.

BNP Paribas Factor has been operated on the Polish market since 2006. It offers broadly understood factoring services, non-recourse and recourse factoring. BNP Paribas Factor is a member of the Polish Association of Factors and part of Factors Chain International. Its offering is addressed to small, medium and large manufacturing and trade enterprises as well as service providers which sell their goods or services on deferred payment terms. The company specialises in the service of international corporate customers. An extensive experience in factoring, as well as the fact that BNP Paribas Factor belongs to the BNP Paribas Group are its chief assets that are essential in the service of Polish export-oriented companies. BNP Paribas became a leader on the European market in terms of factoring turnover realised.

BNP Paribas Factor holds share capital of PLN 10.4 million, which is divided into 20,820 shares. As at 31 December 2012, assets of BNP Paribas Factor amounted to PLN 138.9 million.

8.3. Minority interest

In 2012 the Bank's exposure to the shares of Vistula Group SA dropped below the threshold of a 5% interest in the company's share capital and in the total number of votes at the general meeting.

As at 31 December 2012, BNP Paribas Bank Polska SA held interest exceeding 5% of share capital of the following entities:

Odlewnie Polskie SA

The Bank owned 1,952,896 shares of Odlewnie Polskie SA, which accounts for 9.45% of the company's share capital. The ordinary bearer shares held enable the Bank to exercise 1,952,896 voting rights at the general meeting of the company, i.e. a 9.45% share in the general number of votes at the general meeting. In 2010, the company's shares were acquired by the Bank under a debt composition agreement with the company's creditors, through a conversion of receivables pursuant to Article 294, item 3 of the *Bankruptcy and Rehabilitation Act of 28 February 2003.*

9. AGREEMENTS SIGNIFICANT FOR THE BANK'S ACTIVITY

9.1. Major agreements signed with the BNP Paribas group entities

9.1.1. Loan agreements

- In the first half of 2012, the Bank repaid credit lines in the total amount of CHF 814 million, EUR 352.5 million and PLN 550 million. In May 2012, the Bank repaid two subordinated loans in the amount of EUR 20 million and PLN 60 million. The repayments were partially counterbalanced by drawing down new tranches of financing from BNP Paribas, of CHF 725 million and EUR 90 million in total.
- On 15 November 2012, the Bank and BNP Paribas based in Paris signed:
  - an agreement on granting the Bank a non-revolving subordinated loan of CHF 60 million, which is the equivalent of PLN 207.8 million at the NBP mid rate of 15 November 2012. The loan financing term is 10 years of the disbursement date. The loan interest rate was established based on LIBOR 3M increased by a margin;
  - an agreement on granting the Bank a non-revolving subordinated loan of EUR 60 million, which is the equivalent of PLN 250.3 million at the NBP mid rate of 15 November 2012. The loan financing term is 10 years of the disbursement date. The loan interest rate was established based on EURIBOR 3M increased by a margin;
  - In December 2012, the Bank received the consent of the Polish Financial Supervision Authority to include funds in the amount of CHF 60 million and EUR 60 million, arising under the aforesaid agreements, in the Bank's Tier 2 capital as subordinated liabilities;
- Furthermore, the Polish Financial Supervision Authority agreed to prepayment of the funds totalling EUR 100 million received under the subordinated loan agreement concluded on 23 October 2007 by the Bank and Fortis Bank (Nederland) NV, later transferred to BNP Paribas Fortis SA/NV based in Brussels, which were included into the Bank's own funds (Tier 2 capital) as subordinated liabilities.
- In December 2012, the Bank repaid a tranche of the subordinated loan of EUR 100 million (payment of EUR 40 million) and contracted two new subordinated loans of CHF 60 million and EUR 60 million.

9.1.2. Cooperation agreement with BNP Paribas SA

On 12 March 2012, the Bank concluded an agreement with BNP Paribas SA and BNP Paribas Fortis SA/NV to determine cooperation principles governing disclosure and receipt of information on operating activity and involvement of specialists, including BNP Paribas auditors, in projects carried out in the Bank or other BNP Paribas subsidiaries.

9.1.3. Agreement on subscription of shares by BNP Paribas Fortis SA/NV

The share subscription agreement was described on page 11.

9.1.4. Agreement on acquisition of BNP Paribas Factor Sp. z o.o.

The agreement on purchase of 100% of shares of BNP Paribas Factor is described on page 40.

9.1.5. Multi-option credit line agreement with Fortis Lease Polska Sp. z o.o.

On 7 September 2012, the Bank signed an annex to the multi-option credit line agreement with Fortis Lease Polska Sp. z o.o. dated 17 November 2000. The credit line granted thereunder can be utilised as an overdraft facility, L/C line or guarantee credit line with the limit of PLN 60 million. Pursuant to this annex, the credit facility was rendered available for a subsequent current term, namely until 13 September 2013. In January 2013 (after the balance sheet date), that term was extended until 5 December 2013.

Moreover, on 23 March 2012, the Bank and FLP concluded an agreement on an uncommitted credit line up to the maximum amount of PLN 200 million. Under the credit line, FLP may draw down tranches denominated in EUR, CHF or PLN for the period from 12 months to maximum 10 years.

Details regarding agreements and transactions with affiliated entities are presented in Note 29 of the Annual Financial Statements of BNP Paribas Bank Polska SA for 2012.

9.2. Agreements with international institutions

9.2.1. Annex to the credit agreement with the European Bank for Reconstruction and Development

On 28 March 2012, the Bank signed an annex to the credit agreement with the European Bank for Reconstruction and Development (EBRD) dated 26 January 2011, under which EBRD granted the Bank a loan up to EUR 30 million. The annex expanded the scope of financing options to include investment projects of small and medium enterprises within the Sustainable Energy Financing Facility Programme (PolSEFF) and lease financing by FLP.

9.3. Significant agreements with customers not affiliated with the Bank

- On 10 January 2012, the Bank concluded an agreement on a multi-option credit line up to the maximum amount of PLN 200 million with a customer not affiliated with the Bank. The credit facility financed the customer's current operating activity. The financing term was 24 months. The loan interest rate was established based on the WIBOR interest rate increased by a margin. The financing conditions correspond to market conditions.
- On 29 June 2012, the Bank, together with other banks within a syndicate, concluded an underwriting agreement, agency agreement and depository agreement with a customer not affiliated with the Bank. Under the agreements, the Bank will act as one of Paying Sub-agents and Sub-depositories and will co-underwrite two tranches of bonds issued by the customer. The Bank has committed to underwrite the bonds' issue up to the maximum PLN 200 million in total.
- On 30 July 2012, an annex to the multi-option guarantee credit line agreement of 25 April 2008 concluded with a customer not affiliated with the Bank, was signed. Under this annex, the credit limit was reduced from PLN 205.8 million to PLN 176 million, and the credit line current term was extended until 1 September 2012. Other terms and conditions of the agreement remained unchanged.
- On 29 August 2012, the Bank signed an agreement on a renewable guarantee credit line with a customer not affiliated with the Bank. As stipulated in the agreement, the Bank will issue, in favour of the customer, a bid

bond and performance bond for agreements related to import and export licenses, for the maximum periods of 36 months up to EUR 50 million, i.e. the equivalent of PLN 207.7 million at the NBP mid rate of 29 August 2012. The financing term is 12 months. The guarantee granting terms and conditions are not different from market conditions.

- On 29 August 2012, the Bank, together with other banks within a syndicate, concluded an underwriting agreement, agency agreement and depository agreement with a customer not affiliated with the Bank. Under the agreements, the Bank will act as one of Paying Sub-agents and Sub-depositories and will co-underwrite the bonds issued by the client, up to PLN 1,025 million; the Bank's underwriting commitments regarding the acquisition of bonds may total maximum PLN 200 million. The bond issue programme will last five years and will be completed on 31 October 2017 at the latest. The bonds will neither be offered to the public nor introduced into an organised trading system. The issue underwriting terms and conditions under those agreements do not differ from market conditions.
- On 11 February 2013 (after the balance date), the Bank entered with customers not affiliated with the Bank, into a multi-option credit line agreement up to EUR 50 million, which constitute the equivalent of approximately PLN 280 million at the NBP mid-rate of 11 February 2013. The credit funds will finance the current activity of the customers. Each disbursement requires the Bank's approval. The financing term is 12 months. The credit interest rate has been established based on the WIBOR and EURIBOR rate increased by a margin. The financing conditions correspond to market conditions.

The agreements met the criteria of significant agreements at the time of conclusion as the value of the agreement subject matters for the Bank exceeded 10% of the Bank's equity capital.

9.4. Guarantees and sureties

Please see item 9.3.

9.5. Insurance agreements

Mandatory insurance		
risk / insurance cover	legal grounds	insurance period
Multi-agent insurance ("OC multiagenta") - third party liability insurance on account of agency services.	Finance Minister's Ordinance dated 23 June 2005 regarding obligatory third party liability insurance on account of agency services (Journal of Laws No. 122, item 1027 of 2005)	20 February 2012 - 19 February 2013
General Agreement on Motor Insurance /third party liability (OC)/ - compulsory third party liability insurance of motor vehicle owners in case of damage related to the participation of these vehicles in the traffic.	Act dated 22 May 2003 on obligatory insurance, Insurance Guarantee Fund and Polish Motor Insurers' Bureau (Journal of Laws no. 124 item 1152, as amended)	1 July 2012 - 30 June 2013

Voluntary insurance	
risk / insurance cover	insurance period
Insurance against the risk of financial losses of BNP Paribas Bank Polska SA on account of the Bank's liability as the payment card issuer -the insurance covers the Bank's liability defined in Payment Services Act dated 19 August 2011 (Journal of Laws no. 199, item 1175).	1 April 2012 - 31 March 2013
General insurance agreement regarding property, electronic equipment and professional indemnity - the insurance covers property (including pecuniary values) and electronic equipment owned by BNP Paribas Bank Polska SA. The scope of the insurance programme is based on the so-called *All Risk insurance*. Moreover, the insurance programme covers the Bank's professional indemnity under property owned and business activity pursued.	26 April 2012 - 25 April 2013
General Professional Indemnity Insurance of Franchise Branches of BNP Paribas Bank Polska SA - the insurance covers professional indemnity of franchise branches of BNP Paribas Bank Polska SA against third parties on account of office activity and the property held. Furthermore, the insurance coverage includes harm inflicted on employees of franchise branches, as well as the liability for damage made to immovable and movable property of third parties.	26 April 2012 - 25 April 2013
BBB /Financial Institution Banker's Blanket Bond/ - BNP Paribas Bank Polska SA is covered by the corporate insurance programme of the BNP Paribas group and its entities worldwide. The corporate programme provides insurance of the banking activity against the Bank's losses arising from electronic and computer crime, both internal and external.	1 May 2012 - 30 April 2013
PL /Professional Liability/ - BNP Paribas Bank Polska SA is covered by the corporate insurance programme of BNP Paribas group and its subsidiaries worldwide. The insurance covers financial consequences of professional liability that may be incurred by BNP Paribas Bank Polska SA as result of errors, omissions or mistakes committed during performance of professional duties.	1 May 2012 - 30 April 2013
D&O /Directors and Officers Liability/ - BNP Paribas Bank Polska SA, as a member of the BNP Paribas group, is covered by the corporate Directors and Officers Liability Insurance Programme.	1 May 2012 - 30 April 2013

General Agreement on Motor Insurance (all-risk insurance /AC/) - vehicle damage, destruction or theft (Auto-Casco) insurance of motor vehicles owned by BNP Paribas Bank Polska SA.	1 July 2012 - 30 June 2013
Programme of group insurance coverage against personal injury accidents (NNW) of BNP Paribas Bank Polska SA employees - the group insurance covers death of the insured and permanent personal injury resulting from accidents.	1 December 2012 - 30 November 2013
Programme of group life insurance of BNP Paribas Bank Polska SA employees - the group life insurance programme covers life and health of the Bank's employees and their families.	1 December 2012 - 30 November 2013
International SOS - BNP Paribas worldwide programme provides medical assistance insurance and help in emergency situations during foreign business travels of the employees of BNP Paribas Bank Polska SA.	1 May 2012 - 30 April 2013

9.6. Agreements with the central bank and the regulators

Agreements with the National Bank of Poland

In 2012, two annexes to the PLN account agreement were concluded. The annexes related to the possibility of opening trust accounts for the instant payments system, and specifying provisions after closing Sorbnet Euro, as well as changes connected with the centralisation of signing cash agreements and the change of the hours between which such orders are accepted.

9.7. Agreement with auditor

On 11 June 2012, the Bank signed an agreement with Mazars Audyt Sp. z o.o., with its registered office at ul. Piękna 18, 00-549 Warsaw, KIBR (Polish National Chamber of Statutory Auditors) register number 186, regarding an audit and review of financial statements for 2012-2017, with an option to terminate this agreement by the Bank after an audit of financial statements for 2013. Total remuneration, determined in the agreement, exclusive of VAT, on account of work performed in 2012 is PLN 576 thousand. Remuneration for work performed in 2013 will be determined at a later date, on the basis of amendments to the agreement.

On 31 August 2012, the Bank's Supervisory Board introduced a rule under which a statutory auditor of BNP Paribas Bank Polska SA would be changed after five years of cooperation at the latest.

In consequence, on 7 November 2012, an annex was signed to the agreement dated 11 June 2012 with Mazars Audyt Sp. z o.o., under which the agreement term was shortened, which means that the agreement will expire upon completion of the audit of the financial statements for 2013.

The table below shows the auditor’s net remuneration broken by service type (in PLN thousand):

Remuneration (in PLN thousand):	2010	2011	2012
Audit of annual financial statements for the previous year	233	261	267
Review of interim semi-annual financial statements	177	172	230
Other services (consolidated reviews)	250	270	77
In total (net, exclusive of VAT)	**660**	**703**	**574**

10. CORPORATE SOCIAL RESPONSIBILITY

The adherence to the principles of corporate social responsibility is intrinsic to all undertakings of BNP Paribas Bank Polska SA. The CSR principles are based on four pillars:

1. ECONOMIC responsibility: financing the economy in an ethical manner;
2. Responsibility for NATURAL ENVIRONMENT: counteracting climate changes;
3. CITIZENSHIP responsibility: fight against exclusion, promotion of education and culture;
4. SOCIAL responsibility: observing a committed and fair personnel policy.

Our activities are guided by adherence to binding laws and regulations, and by broadly-understood public welfare.

Consequently, the Bank acts in a transparent, consistent and sustainable manner while pursuing its financial objectives, with the emphasis put on accommodating interests and needs of its customers, shareholders, business partners, employees as well as the communities where it has been operating.

In 2012 the Bank appointed the CSR Correspondent tasked with improving the quality of CSR management and reporting, increasing awareness of the CSR role in responsible business, setting objectives and trends for actions consistent with the established standards and reporting to BNP Paribas.

ECONOMIC responsibility: financing the economy in an ethical manner, offering products that meet the responsible business criteria and prioritising customer satisfaction.
The purpose is to satisfy needs of customers by building a durable relationship with them, to provide them with the best and competitive financial solutions underpinned by modern technologies and security, likewise to grant financing in line with the responsible business principles.

Quality and customer service

Customer orientation and building transparent relations with customers is one of the business priorities. The quality is one of the keys to success, hence BNP Paribas Bank Polska SA appointed the Quality Management Director in 2011, whose task is to assess and systematically improve the quality of services, likewise to set and monitor customer service standards. One of the challenges faced by our Bank is to handle effectively customer complaints.

The unit's duties centre around the customer service. Its task is to set new standards for contacts with customers in branches and improve customer satisfaction. The defined standards include daily duties of a branch manager, phone conversations and correspondence as well as rules applied to meetings with customers. Furthermore, the basic dress code for employees of the Bank's branches was described.

The unit also assesses the customer satisfaction with offered services and products by conducting a Mystery Shopping survey, among others, and it points out the areas that need improvement.

Complaints

The Bank values good relations with its customers, whose opinions and recommendations on how to improve customer service, are always taken into account. While making a complaint, customers point out what needs improvement and more intensive focus to meet their expectations. This is a very important hint for the organisation that helps avoid the same mistakes in future. A complaint may be made in writing or orally via all communication channels used between a customer and the Bank. Complaints in writing or in an electronic format may be filed in person, by mail or courier service, by using an online form at the Bank's website, electronic banking systems, e-mails, or even the Bank's fan page on Facebook. All complaints are recorded in the Electronic Register of Complaints. While handling a complaint, an employee identifies a problem and assesses its legitimacy. The next step is to solve the problem or take measures to eliminate potential irregularities and reasons for their occurrence.

One of the key issues is replying to a complaint on a timely basis. As the Bank, we are increasingly focusing on the legitimacy of a complaint and we view each of them as valuable feedback that helps to eliminate irregularities and better our customer service standards. Complaints serve as the basis for formulation of corrective measures.

Sector policies

Pursuant to the BNP Paribas group policy, the Bank implemented the Defence Policy in 2011, which defines the Bank's position with respect to financing and investing in companies and ventures related to the defence industry.

In 2013 the Bank plans to implement other policies for the economic sectors that may adversely affect the natural environment.

Green Product - Responsible Business

The Bank offers an energy-efficiency loan for companies with a 10% investment incentive. The product is offered in cooperation with the EBRD under PolSEFF, the sustainable energy financing facility programme for small and medium enterprises. In April 2012, EnergoLeasing was introduced into the offering. It allows customers to acquire an investment incentive also if lease facilities are used. EnergoLeasing enables a customer to finance investment projects consisting in replacement of the existing machinery park with a new more energy efficient one, or finance a purchase of energy saving machines and equipment.

The Bank organised a series of conferences about energy efficiency issues, in cooperation with the 'Gazeta Prawna' daily, also with the support of economic chambers and other organisations associating entrepreneurs. There were 14 meetings organised with almost 500 entrepreneurs' participation.

Responsibility for **NATURAL ENVIRONMENT**: counteracting climate changes.

Sustainable development - green office

In everyday operations, the Bank strives to minimise the negative impact of its business on the natural environment. Therefore, projects aimed at implementation of ecological standards are gradually carried out.

Saving paper and energy

At the beginning of 2012, an information campaign named "Wyłączaj komputer po pracy" (Switch off Your Computer after Work) was conducted among the Bank's employees. Its aim was to increase the employees' awareness of how their work affects the environment.

Furthermore, the IT system has been configured to make computers go into sleep mode if they are left idle for 90 minutes.

There are further plans to optimise the use of electricity in the signage of the Bank's branches and build ecological awareness among employees by communication activities.

In 2012 the Bank continued its activities aimed at limiting the consumption of paper and toners by encouraging the customers to use electronic documents instead of printouts. The "Follow me printing" system, which allows employees to manage printouts, has been implemented in the Bank's Head Offices. Estimated savings to be achieved thanks to this system should reach near 20% in terms of printing materials and paper.

Recycling programmes

Similarly as in previous years, the Bank participated in the Hewlett Packard Planet Partners Return and Recycling programme. Under the programme, the Bank returns used print cartridges to be recycled - about 2 tons annually. Moreover, all documents in paper and recorded on electronic carriers are sent to recycling under cooperation with Rhenus Data Office, following appropriate procedures that ensure data confidentiality - about 22 tons of electronic components and 95 tons of paper a year.

Providing second-hand equipment to public benefit institutions

The Bank supports public benefit institutions, such as foundations, community day rooms for children, hospitals or schools by providing them with equipment which is no longer used by the Bank but considering its good condition it may prove useful for the needy (e.g. furniture from relocated branches). The Bank donated 327 pieces of furniture and 116 pieces of IT hardware in 2012.

waste management
- limitation of paper and toners consumption,
- supplier selection compliant with eco-standards,
- implementation of "Planet Partners HP" programme
- waste segregation and recycling.

ecological mobility
- conference calls and video-conferences available,
- internal communication platform
- e-learning training

COUNTERACTING CLIMATE CHANGES

re-utilisation
- a project of donating used furniture and equipment to public benefit organisation

water and energy saving
- using equipment conforming to ecological standards
- constant monitoring of water and energy consumption
- promoting pro-ecological behaviour among employees

CITIZENSHIP responsibility: fight against exclusion, promotion of education and culture;

The community involvement programme is implemented by the entity dedicated to undertake pro-social actions, the BNP Paribas Foundation ("the Foundation").

Basic information and objectives of the Foundation activity

The Foundation's aim is to prevent social exclusion especially among children and the youth. The objectives are accomplished through initiation, support and performance of programmes aimed at financial and material support for institutions with similar goals, and support and promotion of volunteer work and charity ideas.

Main pillars of the Foundation actions

Foundation programmes		
strategic partnerships with organisations that help children and the youth – Towarzystwo Przyjaciół Dzieci Caritas Polska Fundacja Dzieło Nowego Tysiąclecia	**Coalitions with local organisations** to aid children and the youth in local environment; projects implemented in cooperation with local business organisations.	**volunteer activities** promoting charity and community involvement for the benefit of local communities

Strategic partnerships

The Foundation is a partner of nationwide non-governmental organisations. These are: *Towarzystwo Przyjaciół Dzieci* (*Children's Friends Association, TPD*) with which the Foundation has been running programmes to support daycare centres for children and the youth for several years; *Caritas Polska (Caritas)*, that started cooperating with the Foundation in implementation of *Skrzydła* (*Wings*) programme and *Fundacja Dzieło Nowego Tysiąclecia* (*New Millennium's Work Foundation*) collaborating with the Bank since 2012.

In cooperation with TPD, the Foundation carried out a grant programme *"Wakacje z Korczakiem"*(Summer holidays with Korczak), aiming at selecting and financing the best ideas for spending holidays, which referred to education ideas of Janusz Korczak and promoted children's rights. Out of almost 40 contesting local childcare centres and TPD day care rooms from all over Poland, seven most interesting projects were selected. They were awarded grants for organisation of holiday projects.

Funds donated by Arval Polska were used for refurbishment of a TPD social care centre for children in Kielce and purchase of additional equipment.

The scholarship programme *Wings* has been carried out in cooperation with Caritas Polska since 2011. In August 2012, an agreement was concluded to extend the programme duration for the school year 2012-2013. The programme is addressed to children and the youth at risk of exclusion. Under the programme, the Foundation supported 68 students of primary, middle and secondary schools of seven dioceses. The students covered by the programme are provided with funds to buy their sets of textbooks and workbooks for school as well as clothes, and financing for their private lessons, journey to school and meals.

In 2012 the BNP Paribas Foundation joined the ranks of the partners of the New Millennium's Work Foundation. The scholarship programme for the school year 2012-2013, addressed to talented youth from low-income families in rural areas and small villages, was initiated. In October 2012, the BNP Paribas Foundation was awarded the title of the Patron of the New Millennium's Work Foundation.

Coalitions with local organisations

In 2012, under the cooperation developed with local organisations, the Foundation implemented a project in the Łódź region. The project aimed at aiding children and the youth who are at risk of social exclusion, and promoting the corporate social responsibility. *"Łódź - miasto przyszłości"* (Łódź - City of the future) project was carried out in cooperation with the Business Centre Club in Łódź. The project was a grant contest for TPD day care rooms. Three day care rooms as the contest winners received grants to organise additional activities for children.

In December 2012, during *White List* Golden Gala organised by the Wrocław Chamber of Commerce, the Foundation made a donation for *Fundacja Serce (Heart Foundation)* that founded Centrum Przyjaźni Dziecięcej in Świdnica (Children's Friendship Centre - a specialist day care centre for children affected by the problem of social exclusion). Donation will be used to modernise the facility and purchase necessary equipment.

Furthermore, the BNP Paribas Foundation supported initiatives in local communities in which representatives of business circles were involved, including, among others:

- An art contest for children from children's homes, organised in the Bank's Branch in Sosnowiec. The project was an art contest for children from children's homes. Contestants received non-cash prizes whilst the facility of the winner was given a grant for a purchase of divans.
- Special Olympics *Przełam bariery* for disabled children and youth organised by the Municipal Sport and Recreation Centre in Częstochowa.
- A Santa Claus event for special care and handicapped children chosen by specialised social care centres in Małopolska.

Support of the volunteer work idea

The Foundation has continued its grant programme *"Zamiast tortu – dzielimy granty"* (We give grants instead of a layer cake), which started in December 2011. The project was announced among the Bank's employees on the fifth anniversary of the Foundation. Its purpose was to support employee initiatives conceived for the benefit of local communities. In the contest, the Bank's employees were awarded grants to implement six community projects. The projects were being implemented until the end of March 2012.

Another grant programme *Podaruj dzieciom gwiazdkę* (Give Children a Star) has been initiated. It is a contest for employees of the Bank and its subsidiaries, competing for organisation of a Christmas or carnival-theme event for needy and disadvantaged children, who remain in care of facilities counteracting social exclusion of children and the youth.

A large group of employees actively support charity activities and get involved in preparation of Christmas gifts and packages for children.

SOCIAL responsibility: observing a committed and fair personnel policy

Employment structure at BNP Paribas Bank Polska SA

As at the end of 2012, the Bank's staff headcount totalled 2,773 FTEs among which 66% are women. The Bank's staff is relatively young as average age of an employee is 35 years, whilst the share of employees aged 35 and below stands at 56%. A higher education degree is held by 65% of the employees. The share of the management staff stands at 15%, whereas female managers accounted for 50% of this share.

Staff recruitment and remuneration policy

The Bank abides by a transparent recruitment policy. The list of recruitments underway, specification of duties as well as required qualifications and skills are available at the Bank's website.
Furthermore, the Bank participates in the international competition *Ace Manager*, a strategic business game for university students all over the world.
A trainee programme *Generation Young Bank Forces* is organised locally to recruit trainees, most of whom find employment at the Bank after the programme completion. During the programme, trainees undergo a cycle of training sessions that prepare them for a specific job position, which facilitates their rapid adaptation in the organisation.

Training strategy

BNP Paribas Bank Polska applies and develops effective and modern training methods and tools to enhance development, distribution and use of knowledge necessary for achieving business goals.
The following types of training are available: introductory, general banking training (closed),specialized domestic external training, e-learning training, post-graduate studies, language courses.
Training activities are carried out based on the results of training needs analyses and the Bank's strategy. Training budget and plan for the next year are formulated on an annual basis. The purpose of the development policy accepted by the Bank's Board of Executives is to:

- adequately prepare employees to perform tasks assigned to a given position;
- make investing in employees' know-how and skills compliant with the values adopted by the Bank and the BNP Paribas group;

- ensure competitive edge of the Bank through investing in knowledge and competences of employees;
- provide employees with the environment that would encourage their professional development.

Training and development activities are carried out in line with the *compliance* assumptions. Furthermore, the purpose of the training system is to improve the effectiveness of the organisation management, taking into account the social interest and respecting all stakeholders and ethical principles.

Occupational health and safety

The primary duty of the Bank is to respect occupational health and safety regulations and rules, likewise to protect health and life of employees. The Bank actively develops an efficiently functioning system of occupational health and safety in all its organisational units.
The dedicated unit responsible for occupational health and safety systematically monitor and control the work conditions and notify the employer, on a current basis, of any irregularities that are gradually eliminated. All the Bank's employees are required to abide by the Occupational Health and Safety Instructions.
Employees are provided with training sessions on occupational health and safety issues that help them acquire and broaden necessary knowledge. Introductory training is carried out during direct meetings of the Group's employees with newly hired employees. Periodic training sessions are available as e-learning courses via the Internet platform.

Medical care

All the Bank's employees are covered by a health care plan. In 2009 the Bank signed a contract with LuxMed company, under which employees have access to cost-free occupational health care. The scope of health care services may be expanded for an additional fee.

Employment restructuring

Deterioration of macroeconomic conditions and consequences of the crisis on the financial markets led the Bank to the restructuring decision to make the staff headcount match the business scale.
Employment restructuring was carried out in stages and the Bank signed an agreement with the Trade Unions with respect to terminating employment contracts with the Bank's employees for reasons not attributable to employees. While carrying out this process, the Bank tried to ensure the largest support possible for employees who lost their job. The process included a redundancy package above legal requirements and special outplacement programme.

11. SPONSORSHIP

BNP Paribas Bank Polska is part of the BNP Paribas group, which is the largest sponsor of the tennis worldwide. Therefore, the Bank treats tennis events sponsorship in Poland as the priority.

In 2012, the Bank was the chief sponsor of the following events:

- BNP Paribas Business Cup - tennis tournament in Bytom;
- Business Cup - doubles tennis tournament in Poznań;
- BNP Paribas Business Cup - tennis tournament in Wrocław;
- 3rd ITF Men's Circuit (*Futures 2012*) - tennis tournament in Bydgoszcz.

Furthermore, the Bank co-organised Davis Cup tennis matches in Poland, sponsored by the BNP Paribas group, which were held in Warsaw, Inowrocław and Łódź in 2012.

BNP Paribas Bank Polska also sponsored the following events in 2012:

- Belgian Days organised by the Belgian Business Chamber;
- White List Golden Gala held by the Wrocław Chamber of Commerce;
- *Manager of the Year* contest in Łódź;
- Celebration of the Bastille Day organised by the French Chamber of Industry and Commerce.

The Bank sponsorship activity rules are available at the Bank's website at: http://www.bnpparibas.pl/o-banku/aktywnosc-sponsoringowa.asp

12. ORGANISATIONAL STRUCTURE

Pursuant to the Bank's Statute, BNP Paribas Bank Polska SA bodies comprise:

- General Meeting;
- Supervisory Board;
- Board of Executives.

Permanent and temporary committees acting as advisory and decision-making bodies are appointed at the Bank. Permanent committees:

- *Assets and Liabilities Committee (ALCO)* that oversees the management of liquidity, interest rate and FX risks;
- *Risk Committee* that monitors and manages core risks arising from the Bank's business activity. The Risk Committee is a body superior to other committees of the Risk area;
- *RB Risk Committee* acts with an aim to streamline the management of credit products offered by the RB segment;
- *PF Risk Committee* acts with an aim to streamline the management of credit products offered by the PF segment;
- *Credit Committee* that takes credit decisions, both general and specific, except for the decisions that fall within the competence of the Watchlist and Doubtful Debts Committee;
- *Watchlist and Doubtful Debts Committee*, that takes decisions, on a case by case basis, regarding classification of the Bank's customers to a watchlist or assignment of a default status, or adopting of a specific strategy towards customers and also making necessary write-downs/creating provisions for default customer exposures;
- *Internal Control Coordination Committee*, responsible for the efficient management of the Bank's internal control system;
- *Information Security and Business Continuity Committee,* responsible for oversight and management of the information security and business continuity system;
- *New Products, Activities and Organisations and Exceptional Transaction Validation Committee* that approves new initiatives regarding various activities, new products, services and non-standard transactions;
- *Investment Committee* that manages the Bank's project portfolio: takes decisions regarding implementation of new projects, accepts material changes in ongoing projects and verifies whether goals of given projects have been achieved.
- *Financial Risk and Compliance Committee* that advises the Board of Executives and Compensation Committee as regards the remuneration policy.

Composition, scope of competence and activity of Committees are defined in the relevant Committee Regulations approved by resolutions adopted by the Bank Board of Executives' or Supervisory Board, respectively.

As at 31 December 2012, the following bodies operate within the Supervisory Board of BNP Paribas Bank Polska SA:

- Audit Committee;
- Compensation Committee;

They are appointed under the Bank's Statute and the Supervisory Board Regulations and operate based on separate regulations.

Since the necessity arose to align the principles governing the operation of the Remuneration Committee of the Board Members, with KNF resolution no 258/2011 dated 4 October 2011 and the *Variable Compensation Policy for Executives and Other Individuals Who Have a significant Influence on the Risk Profile at BNP Paribas Bank Polska SA*, the resolution was passed at the meeting of the Supervisory Board on 9 March 2012, to change the Committee name into the *Compensation Committee of BNP Paribas Bank Polska SA* and expand the scope of its powers.

12.1. Business lines and sales outlets

The basic organisational structure of the Bank is made up of:

- Head Office;
- operating units.

The Bank's business and organisation is structured along customer service lines (business lines) providing comprehensive service to specific customer and/or service market segments. As at 31 December 2012 the following customer service/ business lines were operating at the Bank:

- Retail Banking Business Line, offering comprehensive services to three main customer groups: i) individuals, ii) small companies with the annual turnover not exceeding PLN 40 million and iii) professionals, namely members of liberal professions;
- Personal Finance Business Line – a business line that deals in particular with preparation of product offering and management of consumer loans offered via external distribution channels and the RB branch network,
- Corporate and Transaction Banking - CTB Business Line, providing comprehensive bank services to medium-size companies and corporate businesses, based among other things on the criterion of annual turnover higher than PLN 40 million, and to companies that are a part of international groups, irrespective of their annual turnover.

On 1 January 2012 the branch network was reorganised. The existing 8 regions were replaced by 7 regions (the East Region was closed down) and each Region comprises Microregions, reporting to the Regional Director, which operate together with subordinated branches.

The following branches function within the RB sales network:

- own branches - Financial Centres,
- own branches and sub-branches,
- franchise branches operating under cooperation agreements concluded with the Bank.

The type of customer segment serviced is a criterion according to which the branch type is determined. The customer segment is represented by Relationship Managers dedicated to it. Financial Centres service all RB business line customers, while branches and sub-branches mainly deal with individual customers.

In 2012 the Bank opened 9 new full-service branches based on the New Branch Model (NBM). It is a concept based on the ABCD (Attract, Build, Capture, Desire) marketing rule that determines the manner of communication between a customer and a Bank branch at each stage of the customer's visit to a branch.

As at 31 December 2012, the Bank had 226 branches. Number of branches with a breakdown into particular regions:

- Centre Region – 48 branches, including: 5 Financial Centres, 33 own branches and 10 franchise branches;
- South Region – 35 branches, including: 5 Financial Centres, 24 own branches and 6 franchise branches;
- Śląsk (Silesia) Region – 30 branches, including: 4 Financial Centres, 22 own branches and 4 franchise branches;
- West Region – 29 branches, including: 3 Financial Centres, 22 own branches and 4 franchise branches;
- North Region – 33 branches, including: 5 Financial Centres, 22 own branches and 6 franchise branches;
- Łódź Region – 24 branches, including: 2 Financial Centres, 19 own branches and 3 franchise branches.
- Dolny Śląsk Region – 27 branches, including: 3 Financial Centres, 14 own branches and 10 franchise branches.

Moreover, Business Centres are separated within the CTB business line, i.e. operating units dedicated to servicing medium and large enterprises.

As at 31 December 2012 there were 8 Business Centres: two in Warsaw and one in Krakow, Gdańsk, Katowice, Poznań, Wrocław and Łódź.

12.2. Staff

As at 31 December 2012, the employment level at BNP Paribas Bank Polska SA, expressed in full time equivalents (including employees on maternity and parental leaves and on long sick leaves) amounted to 2,773 as compared to 2,984 as at 31 December 2011, which means a net decrease by 211 FTEs as compared to the end of 2011.

13. BANK AUTHORITIES

13.1. Composition of the Bank's Board of Executives as at 31 December 2012

	Name and surname	Position in the Bank's Board of Executives	Area
1.	Frédéric Amoudru	President of the Board of Executives	Chief Executive Officer, Country Manager
2.	Jan Bujak	Senior Vice President of the Board of Executives	Chief Financial Officer, Finance and Legal
3.	Jaromir Pelczarski	Vice President of the Board of Executives	Technology, Operations & Process Services
4.	Michel Thebault	Vice President of the Board of Executives	Personal Finance Business Line
5.	Wojciech Kembłowski	Member of the Board of Executives	Risk
6.	Marta Oracz	Member of the Board of Executives	Human Resources
7.	Adam Parfiniewicz	Member of the Board of Executives	Retail Banking Business Line
8.	Stéphane Rodes	Member of the Board of Executives	Corporate and Transaction Banking

Changes in the composition of the Board of Executives of BNP Paribas Bank Polska SA

On 23 May 2012 the Bank's Supervisory Board appointed Mr Adam Parfiniewicz to the position of the member of the Board of Executives of BNP Paribas Bank Polska SA effective 23 May 2012 until the end of the current five-years' tenure of the Board of Executives ending on the date of the Bank's Annual General Meeting approving financial statements for fiscal year 2014.

<u>Presence of the Board of Executives' members in the governing bodies of affiliated entities as at 31 December 2012</u>

Mr Frédéric Amoudru also held the function of:

- Chairman of the Supervisory Board of TFI BNP Paribas Polska SA,
- Chairman of the Supervisory Board of Fortis Lease Polska Sp. z o.o.,
- President of the Management Board of Dominet SA,
- Member of the Board of Executives of BNP Paribas Real Estate Advisory and Property Management Poland Sp. z o.o.

Mr Jan Bujak performed the function of:

- Member of the Supervisory Board of TFI BNP Paribas Polska SA,
- Vice Chairman of the Supervisory Board of Dominet SA.

Mr Stephane Rodes performed the function of:

- Vice Chairman of the Supervisory Board of Fortis Lease Polska Sp. z o.o.,
- Member of the Supervisory Board of BNP Paribas Factor Sp. z o.o.

Mr Adam Parfiniewicz performed the function of a Member of the Supervisory Board of TFI BNP Paribas Polska SA.

Mr Wojciech Kembłowski performed the function of a Member of the Supervisory Board of BNP Paribas Factor Sp. z o.o.

13.2. Composition of the Bank's Supervisory Board as at 31 December 2012

	Name and surname	Function in the Bank's Supervisory Board
1.	Camille Fohl	Chairman
2.	Jarosław Bauc	Vice Chairman, independent
3.	Filip Dierckx	Vice Chairman
4.	Monika Bednarek	Supervisory Board's member, independent
5.	Francois Benaroya	Supervisory Board's member
6.	Jean Deullin	Supervisory Board's member
7.	Helene Dubourg	Supervisory Board's member
8.	Andrzej Wojtyna	Supervisory Board's member, independent

On 1 February 2012 Mr Lars Machenil resigned his membership of the Bank's Supervisory Board.

The Annual General Meeting of the Bank held on 23 May 2012, appointed three new members of the Supervisory Board:

- Francois Benaroya,
- Filip Dierckx,
- Helene Dubourg.

Mr Mark Selles, in connection with taking up new duties in the BNP Paribas SA group, resigned his membership of the Supervisory Board on 23 May 2012, i.e. the date at which the Bank's Annual General Meeting was held. Mr Selles has served on the Supervisory Board since 30 April 2010.

At the Supervisory Board meeting held on 23 May 2012 after adjournment of the Annual General Meeting, Mr Filip Dierckx was appointed to the following positions: Vice Chairman of the Bank's Supervisory Board, Chairman of the Audit Committee and a member of the Compensation Committee.

13.3. Information on shares of the Bank held by members of the Board of Executives and the Supervisory Board

As at 31 December 2011 and as at the report publication date, i.e. 8 March 2013, none of the Board of Executives and Supervisory Board's members held any shares issued by BNP Paribas Bank Polska SA or other financial instruments related to them.

13.4. Information on the Board of Executives and Supervisory Board Members' remuneration

The total remuneration and the value of benefits obtained by the members of the Board of Executives, Supervisory Board and Senior Managers of BNP Paribas Bank Polska SA are specified in the table below:

in PLN thousand	1 Jan 2011 - 31 Dec 2011	1 Jan 2012 - 31 Dec 2012
Board of Executives, including:	8,634	8,546
- remuneration	5,161	5,936
- other*	3,473	2,610
Supervisory Board	756	771
Senior Managers**	16,310	15,260

** in the "Other" item, the Bank recognises costs related to medical care, company cars (lump sum), apartment expenses, equivalents for holiday leave, bonuses and remuneration for meetings of the Board of Executives.*
***Gross remuneration paid out of the salary fund, including ZUS (Social Security) contributions for Managers directly reporting to the Board of Executives.*

The Bank and the managing persons entered into no agreements providing for any compensation in the event such people resign or are dismissed from their job position without any important reason, or when they are discharged or dismissed due to the Bank's integration by acquisition.

The table below presents detailed information in remuneration paid to members of the Board of Executives in 2012, and comparative data for 2011.

Remuneration of the Bank's Board of Executives 1 Jan 2012-31 Dec 2012 (in PLN thousand)		Remuneration	Other	Total
Frédéric Amoudru	President of the Board of Executives Country Manager	1,008	932	1,940
Jan Bujak	Senior Vice President of the Board of Executives	827	256	1,083
Jaromir Pelczarski	Vice President of the Board of Executives	827	254	1,081
Michel Thebault	Vice President of the Board of Executives	793	414	1,207
Wojciech Kembłowski	Member of the Board of Executives	720	176	896
Marta Oracz	Member of the Board of Executives	600	192	792
Adam Parfiniewicz	Member of the Board of Executives since 1 May 2012	457	-	457
Stéphane Rodes	Member of the Board of Executives	704	386	1,090
Total		5,936	2,610	**8,546**

Remuneration of the Bank's Board of Executives 1 Jan 2011 - 31 Dec 2011 (in PLN thousand)		Remuneration	Other	Total
Frédéric Amoudru	President of the Board of Executives, CEO	925	1,071	1,996
Jan Bujak	Senior Vice President of the Board of Executives	827	311	1,138
Jaromir Pelczarski	Vice President of the Board of Executives	827	308	1,135
Michel Thebault	Vice President of the Board of Executives	739	346	1,085
Wojciech Kembłowski	Member of the Board of Executives since 11/05/2011	474	3	477
Marta Oracz	Member of the Board of Executives	547	102	649
Stéphane Rodes	Member of the Board of Executives	653	331	984
Jacek Obłękowski	Vice President of the Board of Executives till 18 March 2011 2011	157	338	495
Philippe Van Hellemont	Vice President of the Board of Executives till 10 May 2011	12	663	675
Total		5,161	3,473	**8,634**

The table below presents detailed information on remuneration paid to members of the Supervisory Board in 2012, and comparative data for 2011.

Remuneration of the Bank's Supervisory Board 1 Jan 2012 - 31 Dec 2012 (in PLN thousand)		**Total**
Camille Fohl	Chairman	180
Jarosław Bauc	Vice Chairman	120
Filip Dierckx	Vice Chairman from 23 May 2012	74
Lars Machenil	Vice Chairman until 22 May 2012	10
Mark Selles	Supervisory Board Member until 22 May 2012	33
Monika Bednarek	Supervisory Board Member	84
Francois Benaroya	Supervisory Board Member from 23 May 2012	51
Jean Deullin	Supervisory Board Member	84
Helene Dubourg	Supervisory Board Member from 23 May 2012	51
Andrzej Wojtyna	Supervisory Board Member	84
Total		**771**

Remuneration of the Bank's Supervisory Board 1 Jan 2011 - 31 Dec 2011 (in PLN thousand)		**Total**
Camille Fohl	Chairman	180
Jarosław Bauc	Vice Chairman	120
Lars Machenil	Vice Chairman	120
Monika Bednarek	Supervisory Board Member	84
Jean Deullin	Supervisory Board Member	84
Mark Selles	Supervisory Board Member	84
Andrzej Wojtyna	Supervisory Board Member	84
Total		**756**

Members of the Bank's Board of Executives who are members of Supervisory Boards of subsidiaries, received no remuneration on that account, either in 2012 or 2011.

Details regarding values of remuneration and other benefits of the members of the Bank's Board of Executives and Supervisory Board in 2012 and comparative data for 2011 are presented in Note 30 of the Annual Financial Statements of BNP Paribas Bank Polska SA for 2012.

14. CORPORATE GOVERNANCE REPORT

The Bank observes corporate governance rules and internally promotes the application of the best practices in the Bank as well as monitors their functioning.

On 14 March 2012, the Bank published the *Corporate Governance Report 2011* which constituted a part of the 2011 annual report, approved by the General Meeting of the Bank on 23 May 2012. All of the Bank's existing Corporate Governance Reports are published on the Bank's website.

This report:

- was prepared pursuant to §91 para. 5 item 4) of the *Minister of Finance Ordinance dated 19 February 2009 regarding current and periodical information submitted by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal* of Laws of 2009 No. 33, item 259, as amended), and
- includes all information stipulated under §1 of *Resolution No. 1013/2007 of the Warsaw Stock Exchange (WSE) Management Board dated 11 December 2007 regarding the scope and structure of a report on corporate governance rules application by listed companies,*
- and as a consequence, a disclosure of this report is equivalent to submitting the report mentioned under §29 item 5 of the *Warsaw Stock Exchange Regulations.*

14.1. Indication of corporate governance rules that the Bank is subject to

In 2012 BNP Paribas Bank Polska SA, as a listed company, was subject to corporate governance rules defined in the *Code of Best Practices for WSE Listed Companies* (hereinafter "Best Practices") that constitutes an appendix to Resolution No. 20/1287/2011 adopted by the WSE Supervisory Board on 19 October 2011. The contents of the *Best Practices* is available on the Stock Exchange official website dedicated to corporate governance issues http://corp-gov.gpw.pl and on the Bank's website in the Investor Relations tab http://www.bnpparibas.pl/english/corporate-governance.htm The Bank applies the rules specified therein in the scope recommended by its Board of Executives and the Supervisory Board.

In November 2012, the WSE amended the Best Practices, effective from 1 January 2013.

14.2. Corporate governance rules that have not been applied by the Bank, with explanations

In 2012, the Bank applied all the rules specified under Parts II, III and IV of the Best Practices, except for Rule IV.10 regarding the participation of shareholders in the general meeting using electronic means of communication, which became effective as of 1 January 2013, and in 2012 it was a recommendation.

As regards the recommendations specified in Part I of the Best Practices, there are four recommendations whose application at the Bank needs to be commented on.

1. With respect to *Recommendation I.1*, the Bank makes all efforts to pursue a transparent and efficient information policy. However, in 2012 the Bank did not webcast the General Meeting sessions via the Internet. No sessions were recorded or the recordings published, either. Participation in the General Meeting's sessions is available to all shareholders and other authorised persons as well as to media representatives, and all the materials and decisions taken by the General Meetings are disclosed to the public.
2. The Bank did not apply *Recommendation I.12*, i.e. it did not provide shareholders with an option to participate in the general meeting using electronic means of communication.

   In the Bank's opinion, given the structure of shareholders with parent entities holding jointly 99.89% votes in the total number of votes at the General Meeting, the current manner of exercising voting rights is sufficient to ensure their effectiveness. Legal risk and the necessary costs involved would be incommensurate to the current needs of shareholders. The Bank states that in the future it may apply rules related to broadcasting and remote participation in general meetings when shareholders express their wish in this regard.
3. As regards *Recommendation I.5*, the Bank develops its remuneration policy according to the internal rules of financial management and risk management, and in order to eliminate unnecessary risk of its activity. In 2012, the Bank implemented *Variable Compensation Policy for Executives and Other Individuals Who Have a Significant Influence on the Risk Profile at BNP Paribas Bank Polska SA* (hereinafter: Variable Compensation Policy) with respect to resolutions no. 258/2011 and 259/2011 of the Polish Financial Supervision Authority dated 4 October 2011. The remuneration policy and rules of its determination for other employees are defined in the *Remuneration Regulations of BNP Paribas Bank Polska SA.*

   The detailed data on remuneration to the management and supervisory bodies of the Bank are included in annual financial reports (Chapter 30 of the Annual Financial Statements of the Bank for 2012 and chapter 13.4. of the Board of Executives Report on the Activity of the Bank) and are subject to approval, together with those reports.

   Information on the *Variable Compensation Policy* was presented to the General Meeting on 23 May 2012. Pursuant to KNF Resolution no. 259/2011, information regarding the variable compensation policy of executives will be updated at least once a year. It will be published for the first time following the 2012 financial statements approval by the General Meeting. The Bank did not earlier disclose a statement on its remuneration policy under *the European Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies* (2004/913/EC) complemented by the *EC Recommendatio*n dated 30 April 2009 (2009/385/EC), but only some of its elements available in various documents.
4. With reference to *Recommendation I.9* on ensuring a balanced proportion of women and men in management and supervisory functions in companies, as at the end of December 2012 the Bank's Board of Executives was made up of one woman and seven men, while as at the end of December 2011, of one woman and six men. The Bank's Supervisory Board was composed of two women and six men as compared to one woman and six men as at the end of 2011. The proportions have been rising, but the recommendation is not fully applied.

14.3. Basic features of internal controls and risk management systems applied in the Bank, with respect to the process of preparation of financial statements and consolidated financial statements.

In the Bank *the system of internal controls* operates under requirements of the Polish supervision authorities and is adjusted to the BNP Paribas standards. The purpose of internal controls is to support decision processes in the manner that enables prevention of risks or their early detection, in particular by ensuring the following:

- effectiveness and efficiency of the Bank's business;
- reliability of financial reporting;
- compliance of the Bank's business with law provisions and internal regulations;
- security of transactions and assets.

The internal controls at the Bank include two categories:

- permanent control (1st and 2nd level, including functional and operational control);
- institutional control (3rd level, including internal audit).

Functional control and a permanent operational control are performed in line with the internal regulations binding at the Bank and approved by the Board of Executives and the Supervisory Board. The Internal Control Coordination Committee was created as an advisory body to support the Board of Executives in an effective management of internal controls at the Bank, and assist the Audit Committee in monitoring the effectiveness of internal controls.

Pursuant to the Compliance Risk Management Policy and the local law, at least once a year the Compliance and Control Line (Conformité) submits a report to the Board of Executives and Supervisory Board, including a summary of the key aspects of the line activity and incidents of non-compliance essential for the compliance risk monitoring at the Bank.

The Audit Department activity (the 3rd level of control) satisfies the independence and objectivity requirements, which is ensured by the Audit Charter approved by the Bank's Board of Executives and Supervisory Board. Pursuant to the internal audit regulations binding in the BNP Paribas group, the Audit Department activity is supervised by the Audit Committee and is performed within the Inspection Generale, the internal audit of the BNP Paribas group. The Audit Department applies the audit methodology likewise the risk analysis, planning and reporting methodology adopted in the group, and it operates in compliance with Polish law.

The Audit Department regularly notifies the Audit Committee, and at least once a year, the Supervisory Board, of weaknesses identified together with conclusions resulting from the internal audit assignments conducted, likewise any actions undertaken to rectify these weaknesses or fulfil recommendations.

The objective of the *risk management system* is to identify, measure or estimate and monitor the risk inherent in the Bank's activity. The risk management system serves to ensure that detailed objectives for the Bank's business activity are correctly determined and accomplished.

In the risk management system, the Bank:

- applies formalised rules to determine the level of risk assumed and risk management rules, likewise formalised procedures aimed at identification, measurement or estimation and monitoring of the risk existing in the Bank's business, including also the expected risk level in the future, limits to mitigate the risk and rules applicable in case the limits are exceeded,
- has adopted a system of management reporting which enables the risk level to be monitored, and an organisational structure which is adjusted to the level and profile of the risk assumed by the Bank.

The Bank supervises also the risk related to the activity of subsidiaries.

The process of drafting separate and consolidated financial statements is described in the Bank's internal regulations adopted under an Order of the President of the Board of Executives. Designated units of the Bank participate in that process, which is coordinated by the Reporting Department in the finance and legal area managed by the Senior Vice President of the Board of Executives, Chief Financial Officer. The Reporting Department verifies correctness of the information submitted, and is responsible for the final form of the reports. Financial statements are forwarded to the Board of Executives, Reporting Department Director, Accounting Line Director and Director of the Accounting Information System, Accounting Policy and Capital Reporting Department, for their opinion and approval. Semi-annual and annual financial statements are subject, respectively, to a review or audit by the statutory auditor.

The Audit Committee plays a key role in the process of approval of the Bank's financial statements, because it monitors the financial reporting process and the independence of the statutory auditor and entity authorised to audit financial statements, likewise it issues recommendations to the Supervisory Board regarding acceptance or rejection of financial statements.

Upon their positive recommendation by the Audit Committee and the Supervisory Board, reports are published and annual financial statements are presented to the General Meeting for approval.

14.4. Description of activity of the General Meeting and its basic authority, likewise rights of shareholders along with the manner of rights exercise

The General Meeting of BNP Paribas Bank Polska SA acts under provisions of the Code of Commercial Companies and Partnerships, the Bank's Statute and the Regulations of the General Meeting. The Statute and Regulations' wording is available at the Bank's website http://www.bnpparibas.pl/english/legal-documents.htm

An Annual General Meeting (AGM) shall take place within six months of the end of each fiscal year. The General Meeting may be held in Warsaw or Krakow.

AGM shall be convened by the Bank's Board of Executives. The Supervisory Board has the right to convene AGM if the Board of Executives fails to convene it on the date determined in the Statute. The Supervisory Board has also the right to convene an Extraordinary General Meeting (EGM) if it deems fit to do so. EGM may be also convened by shareholders who represent at least one half of the Bank's share capital, or at least one half of the overall number of votes in the Bank.

The General Meeting shall be convened by an announcement published on the Bank's website and in the manner appropriate for passing current information by public companies at least twenty six days before the GM's date.

GM may be cancelled by a person or body by which it has been convened. GM is cancelled in the same manner as it is convened, immediately after the cancelling person or body obtains information about an obstacle that would hinder holding GM at the date for which it has been convened.

Pursuant to the Bank's Statute, reserved for the competence of the General Meeting shall be in particular the following issues:

- consideration and approval of a report on the Bank's activity and financial statements, as well as consolidated statements, if their creation and approval is required, likewise discharge of the members of the Bank's bodies of their duties,
- adoption of resolutions regarding profit allocation or loss coverage, and if needed, a resolution setting the date of establishing the right to dividend (dividend date) and the dividend payment date;
- all decisions pertaining to claims for losses incurred during establishment of the Bank, its management or supervision,
- amendments to the Statute of the Bank,
- election and recall of the Supervisory Board and its specific members,
- determination of remuneration of the Supervisory Board members,
- redemption of shares and determination of detailed conditions governing the redemption,
- establishment and liquidation of capital types and funds, and defining their purposes, subject to the ones stipulated under the Bank's Statute,
- merger or liquidation of the Bank and selection of liquidators,
- approval of the Regulations of the Supervisory Board,
- consideration of issues presented by the Supervisory Board or the Board of Executives,
- adoption of resolutions regarding other matters which by virtue of binding regulations require a resolution to be adopted by the General Meeting.

The most important rights of shareholders related to exercising their powers at the General Meeting are specified in the *Rules of Procedure of the General Meeting* and arise under the applicable law. A shareholder shall have the right to participate in the General Meeting and exercise voting rights in person or by a proxy. In connection with his/her participation in the General Meeting a shareholder has the right to:

- contact the Bank using electronic means of communication; the shareholders' communication with the Bank via electronic means is carried out using an electronic mail and specially dedicated e-mail address: *walnezgromadzenie@bnpparibas.pl*; in particular, the Bank's shareholders may submit motions and demands concerning the agenda, likewise ask questions and send notifications and documents;
- the Bank's shareholder or shareholders representing at least one twentieth of the Bank's share capital may demand that specific issues are added to the agenda and submit draft resolutions to the Bank regarding issues on the GM agenda, or issues that are to be put on the agenda;
- notify the Bank about granting a power of attorney in an electronic form using a specially dedicated e-mail address: *walnezgromadzenie@bnpparibas.pl*;
- demand sending him/her, free of charge, a list of shareholders authorised to participate in GM via electronic mail.

However, neither the *Statute* nor the *GM Rules of Procedure* provide for a possibility of participation of a shareholder in the General Meeting or expressing one's views during the General Meeting using electronic means of communication, nor exercising voting rights at the General Meeting by post.

The full text of documentation to be presented during GM along with draft resolutions is published at the Bank's website *http://www.bnpparibas.pl/relacje-inwestorskie/walne-zgromadzenie.htm* starting from the GM convening date, and is also available at the Company's registered office in 02-676 Warsaw, at ul. Suwak 3.

In 2012, the Annual General Meeting of BNP Paribas Bank Polska SA was held once, on 23 May 2012.

Resolutions of the Annual General Meeting of BNP Paribas Bank Polska SA

On 23 May 2012, the Bank held the Annual General Meeting which adopted resolutions concerning the approval of separate and consolidated financial statements for 2011, the Board of Executives' Report from the activity of the Bank and its Group in 2011 and the Supervisory Board's Report for 2011, the approval of the discharge of duties of the Bank's authorities for 2011 and distribution of the 2011 profit.

The Bank's net profit for the fiscal year 2011 which amounted to PLN 21 million, was earmarked in full for the increase of the Bank's own funds in the following manner: the profit portion of PLN 1.7 million was allocated to the additional capital, and the portion of PLN 19.3 million to the general risk fund.

The Bank's shareholders at the Annual General Meeting decided on the increase of the Bank's share capital by PLN 228.5 million through the Series N shares issue with pre-emptive rights excluded, and on the related amendments to the Bank's Statute. Furthermore, amended Regulations of the Supervisory Board of BNP Paribas Bank Polska SA were approved.

14.5. Indication of shareholders holding substantial share packages, and authorisation rights and limitations related to the Bank's securities

Shareholder structure of BNP Paribas Bank Polska SA

As at 31 December 2011, the structure of shareholders of BNP Paribas Bank Polska SA was as follows:

Entity name	Number of shares held	% of the share capital	Share capital (in PLN)	Number of votes at the general meeting	Share (%) in the total number of votes at the GM
BNP Paribas	**24,092,125**	**99.87%**	**1,204,606,250**	**24,092,125**	**99.87%**
BNP Paribas Fortis SA/NV (former Fortis Bank SA/NV)	*18,848,593*	*78.13%*	*18,848,593*	*78.13%*	*18,848,593*
Dominet SA (in liquidation)	*5,243,532*	*21.74%*	*5,243,532*	*21.74%*	*5,243,532*
Minority shareholders	**31,381**	**0.13%**	**1,569,050**	**0.13%**	**31,381**
Total:	**24,123,506**	**100.00%**	**1,206,175,300**	**24,123,506**	**100.00%**

As at 31 December 2012 and the 2012 annual report publication date, i.e. 8 March 2013, the shareholder structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting was as follows:

Entity name	Number of shares held	% of the share capital	Share capital (in PLN)	Number of votes at the general meeting	Share (%) in the total number of votes at the GM
BNP Paribas	**28,661,545**	**99.89%**	**1,433,077,250**	**28,661,545**	**99.89%**
BNP Paribas Fortis SA/NV (former Fortis Bank SA/NV)	*23,418,013*	*81.62%*	*1,170,900,650*	*23,418,013*	*81.62%*
Dominet SA (in liquidation)	*5,243,532*	*18.27%*	*262,176,600*	*5,243,532*	*18.27%*
Minority shareholders	**31,381**	**0.11%**	**1,569,050**	**31,381**	**0.11%**
Total:	**28,692,926**	**100.00%**	**1,434,646,300**	**28,692,926**	**100.00%**

Share capital of BNP Paribas Bank Polska SA

As at 31 December 2012 and as at the publication date of the annual report for 2012, i.e. 8 March 2013:

- the registered and paid-up share capital of BNP Paribas Bank Polska SA amounted to PLN 1,434,646,300, as compared to PLN 1,206,175,300 as at the end of 2011;
- the total number of shares increased due to the series N share issue from 24,123,506 to 28,692,926 ordinary bearer shares;
- nominal value of 1 share: PLN 50 has remained unchanged.

All the shares of the Bank are bearer ones and entail no particular rights or limits with respect to any transfer of ownership or exercise of voting rights. Each share entitles its holder to one vote at the Bank's general meeting. Shares are entitled to participate in dividends on equal terms.

On 4 October 2012, the Bank was notified about a seizure of Dominet SA's property rights related to the series L shares held, to secure a claim against a shareholder in arbitration proceedings. The Bank was informed that a complaint lodged by Dominet SA had already been considered by the Court of Appeal which repealed the Regional Court decision on the seizure of Dominet SA's property rights related to series L shares held.

Series A to K shares were admitted and introduced to public trading.

As at 31 December 2012, the Bank did not undertake any steps to introduce the series L, M or N shares into stock exchange trading yet. It is due to the Bank's intention to combine the introduction of those shares into stock exchange trading with the share free float increase planned for 2013.

The Polish Financial Supervision Authority, taking into account an application filed by the BNP Paribas group, agreed to extend, until the end of 2013, the term for fulfilment of BNP Paribas commitment to increase shares of BNP Paribas Bank Polska SA in free float to at least 15%.

14.6. Description of the Bank's Statute amendment rules

Any amendments to the Bank's Statute are made pursuant to the law provisions. Amendments to the Statute are introduced by a resolution of the General Meeting requiring the qualified majority of 3/4 (75%) votes cast. Then, the Statute's amendments are registered in the National Court Register. The consolidated text of the amended Statute is determined by the Bank’s Supervisory Board.

Pursuant to *Article 34 para. 2 of the Banking Law*, BNP Paribas Bank Polska SA shall obtain consent of the Polish Financial Supervision Authority for amendments to the Bank’s Statute if they refer to issues specified in *Article 31 para. 3 of the Banking Law* and broadening or restricting voting rights on shares.

The latest amendments to the Bank’s Statute were registered by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register on 29 August 2011. The Supervisory Board, acting on the basis of authorisation derived from the Bank’s Statute (Art. 15 para. 3 item 12), determined the consolidated text of the Statute including the aforesaid amendments.

14.7. Composition and rules of activity of management and supervisory authorities and their committees

14.7.1. As at 31 December 2012, the composition of the Board of Executives of BNP Paribas Bank Polska SA and its rules of activity were as follows:

1.	Frédéric Amoudru	President of the Board of Executives
2.	Jan Bujak	Senior Vice President of the Board of Executives
3.	Jaromir Pelczarski	Vice President
4.	Michel Thebault	Vice President
5.	Wojciech Kembłowski	Member of the Board of Executives
6.	Marta Oracz	Member of the Board of Executives
7.	Adam Parfiniewicz	Member of the Board of Executives
8.	Stephane Rodes	Member of the Board of Executives

Changes in the composition of the Board of Executives of BNP Paribas Bank Polska SA in 2012 and the membership of the Board of Executives members in the authorities of affiliated entities as at 31 December 2012, are described in *Chapter 14 of this Report*.

Rules of appointment and discharge of members of the Board of Executives and the scope of their authority

Members of the Board of Executives of BNP Paribas Bank Polska SA are appointed and discharged pursuant to the provisions of the Code of Commercial Companies and Partnerships and the Banking Law Act. The activity of the Bank's Board of Executives is governed in detail by the Bank's Statute and the Regulations of the Board of Executives, approved by the Supervisory Board, which are available at the Bank's website http://www.bnpparibas.pl/english/legal-documents.htm

The Board of Executives (the Board) shall be composed of three to ten members, including the President of the Board of Executives, one or a number of Vice Presidents of the Board and other members of the Board in the number that is to be defined by the Bank’s Supervisory Board. Appointment of two Members of the Board of Executives, including the President of the Board, is made with a consent of the Polish Financial Supervision Authority, given upon a request of the Supervisory Board.

Members of the Board of Executives are appointed by the Supervisory Board for the period of a joint five-year tenure. A mandate of the Board member appointed prior to the expiry of specific tenure of the Board shall expire at the same time as mandates of the remaining members of the Board.

The Board of Executives manages the Bank’s operational activity and represents the Bank before external parties. The scope of tasks of the Board includes primarily all the issues that are not reserved for the competence of other bodies of the Bank.

Individual Members of the Board of Executives have no specific authority to take decisions on share issue or redemption.

In 2012, the Board of Executives of BNP Paribas Bank Polska SA held 26 meetings and adopted 91 resolutions. The Board of Executives met at least once a month.

14.7.2. As at 31 December 2012, the composition of the Supervisory Board of BNP Paribas Bank Polska SA and its rules of activity were as follows:

	Name and surname	Function in the Bank's Supervisory Board
1.	Camille Fohl	Chairman
2.	Jarosław Bauc	Vice Chairman, independent
3.	Filip Dierckx	Vice Chairman
4.	Monika Bednarek	Supervisory Board’s member, independent
5.	Francois Benaroya	Supervisory Board’s member
6.	Jean Deullin	Supervisory Board’s member
7.	Helene Dubourg	Supervisory Board’s member
8.	Andrzej Wojtyna	Supervisory Board’s member, independent

Changes in the composition of the Supervisory Board of BNP Paribas Bank Polska SA in 2012, are described in *Chapter 14 of this Report*.

Rules of appointment and discharge of members of the Supervisory Board and the scope of their authority

The Bank's Board of Executives operates on the basis of the Bank's Statute and the Regulations of the Supervisory Board, approved by the General Meeting, which are available at the Bank's website http://www.bnpparibas.pl/english/legal-documents.htm

On 23 May 2012, the Annual General Meeting approved the new Regulations of the Bank's Supervisory Board to be applied at the Bank. The provisions of the Regulations were organised and supplemented so as to be adjusted to modern standards and practices regarding corporate governance in listed companies, in particular as regards: composition of the Supervisory Board and criteria for its independent members, rights and duties of the Supervisory Board's member and the description of the Supervisory Board's competences, including description of duties of committees that function within the Supervisory Board. The new Regulations contain also some practical rules for organising Supervisory Board's meetings, including the ones convened and managed using direct telecommunication means, e.g. participation in a meeting over the phone or via Internet, or meetings between members of the Supervisory Board staying in different places at the same time using telecommunication or audio-visual means.

The Bank's Supervisory Board shall comprise from five to ten members. The Supervisory Board shall elect a Chairman and two Vice-Chairmen from among its members. The Supervisory Board consists of at least two independent members.

Members of the Supervisory Board are appointed by the General Meeting of the Bank for the period of joint five-year tenure. A mandate of the Supervisory Board member appointed prior to the expiry of specific tenure of the Board shall expire at the same time as mandates of the remaining members of the Supervisory Board.

The Supervisory Board shall proceed with constant, general supervision over all activities of the Bank, and in particular, shall mind whether the activities of the Board of Executives are consistent with the interest of the shareholders, welfare of the Bank, and whether they are in line with rules of law and the Statute.

The duties of the Supervisory Board shall include in particular the following issues:

- supervision over the implementation of the management system, including the risk management system and internal controls, and the assessment of its adequacy and effectiveness,
- supervision over the consistency of the Bank’s policy with respect to risk assumption with the Bank’s strategy and financial plan,
- supervision over the compliance risk management and annual assessment of the compliance risk management effectiveness by the Bank,
- notifying KNF about the Board of Executives' composition and any changes thereto, immediately after the formation of the Board of Executives or making any changes to its composition,
- notifying KNF about the Board of Executives' members who, according to the division of the scope of competence, supervise credit risk management and the internal audit.

Pursuant to the Bank’s Statute, the competence of the Supervisory Board shall include in particular the following:

- assessment of the Bank’s financial statements,
- assessment of the report of the Bank's Board of Executives and its proposals pertaining to allocation of profit and covering losses, as well as presentation of annual reports with the results of the said assessments to the General Meeting,
- approval of the draft annual budget, long-term programmes of the Bank's development and the Bank’s business strategy, likewise rules of the Bank’s prudent and stable management,
- approval of annual economic and financial plans of the Bank,
- approval of motions of the Bank's Board of Executives with respect to opening or liquidation of branches, sub-branches and representative offices of the Bank outside Poland,
- approval of the Board of Executives' motions regarding participation as a shareholder in establishment of another bank, company or another commercial organisation, with the exclusion of the Stock Exchange investments concluded for a term no longer than 6 months,
- appointment and recalling of the President of the Board of Executives of the Bank, Vice Presidents and Members of the Board of Executives as well as determination of their remuneration; the Supervisory Board may delegate one or more of its members to a committee empowered to make decisions on remuneration of members of the Board of Executives,
- selection, upon the Board of Executives’ motion, of a statutory auditor to carry out an audit of the Bank’s financial statements,
- approval of general rules of making credit decisions, including regulations of the credit committees which are the authorised bodies to reach decisions related to loans and credits under the regulations,
- adoption of resolutions regarding purchase or sale of real estate or a stake in such real estate and also regarding the purchase or sale of the right of perpetual usufruct,
- adoption of resolutions on issuing bonds,
- drawing up a consolidated text of the Bank’s amended Statute and editorial changes according to the resolution of the General Meeting,
- appointment of an internal audit committee composed of the Supervisory Board members basically to supervise the Audit Department activity,
- approval of the Bank’s compliance risk policy assumptions,
- approval of internal procedures regarding internal capital estimation, capital management and capital planning processes,
- approval of the internal control rules.

In 2012, the Supervisory Board of BNP Paribas Bank Polska SA held 7 meetings and adopted 47 resolutions.

The Supervisory Board establishes the following committees out of its members:

- Compensation Committee,
- Audit Committee,

each composed of at least three members. Should a need arise, the Supervisory Board can establish also other committees. The Supervisory Board determines the scope, manner of activity and composition of the committees, provided that each committee should include at least one independent member of the Supervisory Board (see chapters 12.7.5 and 12.7.6).

14.7.3. Composition and rules of activity of the Audit Committee:

As at 31 December 2012, the Audit Committee composition was as follows:

Filip Dierckx	Chairman
Jarosław Bauc	Committee Member, independent
Helene Dubourg	Committee Member
Andrzej Wojtyna	Committee Member, independent

The composition and rules of operation of the Audit Committee are determined in the *Regulations of the Supervisory*

Board and the *Audit Committee Regulations* approved by the Supervisory Board.

The Audit Committee is composed of at least three and maximum five Supervisory Board Members, including two independent Members. Within the scope defined in the Supervisory Board Resolution, the Audit Committee may hold decision-making powers.

The scope of the Audit Committee competence includes in particular:

- monitoring the financial reporting process and recommending acceptance or rejection of the financial statements to the Supervisory Board;
- monitoring the adequacy and efficiency of the internal controls, internal audit and risk management, including the compliance risk;
- periodical review of internal controls in the Bank and in particular risk management systems, with a view to ensuring that the main risks including those related to compliance with existing legislation and corporate governance standards, are properly identified, managed and disclosed;
- monitoring the effectiveness of the internal audit activity, in particular through supervision of the Bank's Audit Department and issuing recommendations for the Supervisory Board with respect to approval of an annual audit plan presented by the Audit Department upon obtaining a positive opinion of the President of the Bank's Board of Executives, and also issuing recommendations on the Audit Department budget and on an appointment or dismissal of the Audit Department director;
- monitoring the external audit process, in particular through:
    - issuing recommendations to the Supervisory Board on choosing, appointing or re-appointing an external auditor (statutory auditor) and the amount of the auditor's remuneration;
    - supervision of the work performed by statutory auditors;
    - providing opinion on the audit plan submitted by the statutory auditors;
    - formal assessment of the external auditor's activity at least once every three years on the grounds of determined criteria, and also monitoring whether the rule of the external auditor’s independence and objectivity is followed or not, including a proper implementation of a procedure of an initial approval of other services rendered by the auditor (unrelated to the audit);
    - monitoring the executives' response to the recommendations presented by an external auditor (statutory auditor) in a management letter;
- ensuring good communication and cooperation between the external auditor (statutory auditor), internal audit and the Supervisory Board.

The Audit Committee issues recommendations and provides opinions based on a consensus. The recommendations and opinions are presented to the Supervisory Board by the Committee Chairman. The Audit Committee submits annual reports on its activity to the Supervisory Board. The Audit Committee Chairman forwards the Audit Committee recommendations and opinions to the President of the Board of Executives of the Bank.

14.7.4. Composition and rules of activity of the Compensation Committee of BNP Paribas Bank Polska SA.

As at 31 December 2012, the Compensation Committee of BNP Paribas Bank Polska SA was composed of:

Camille Fohl	Chairman
Filip Dierckx	Committee Member
Monika Bednarek	Committee Member, independent

The composition and rules of operation of the Compensation Committee are determined in the *Regulations of the Supervisory Board* and the *Regulations of the Compensation Committee of BNP Paribas Bank Polska SA* approved by the Supervisory Board.

The Compensation Committee is composed of three members: Chairman of the Supervisory Board, and Vice Chairman of the Supervisory Board and the Supervisory Board Member appointed by the Supervisory Board's resolution. At least one member of the Committee should be an independent Supervisory Board Member. Within the scope defined in the Supervisory Board Resolution, the Compensation Committee may hold decision-making powers. The Committee takes decisions based on a consensus. Should there be no consensus, a given issue is submitted to the Supervisory Board to be decided upon. Any decisions made by the Compensation Committee within the scope of its authorisation are immediately enforceable. The Chairman forwards the Compensation Committee’s decisions to the President of the Board of Executives who undertakes appropriate actions to implement them.

The role and tasks of the Committee changed with the implementation of the *Variable Compensation Policy for Executives and Other Individuals Who Have a Significant Influence on the Risk Profile at BNP Paribas Bank Polska SA* at the Bank. Pursuant to the new *Regulations of the Compensation Committee at BNP Paribas Bank Polska SA* approved by the Supervisory Board in March 2012, the extended scope of the Committee activity encompasses the following:

- providing opinions on and designing the rules of remuneration of members of the Board of Executives and managers referred to in the *Variable Compensation Policy*, and specifically giving opinions on the variable compensation policy, including the remuneration amount and components;
- monitoring and issuing opinions on variable compensation of managers responsible for risk management and for compliance of the Bank's activity with the law and internal regulations;
- setting the terms and conditions of remuneration of members of the Board of Executives determined in their contracts of employment, manager's contracts or other agreements;
- making formal decisions in terms of semi-annual adaptation of the compensation package to costs of living indexes and/or to foreign exchange rates, including expatriation premiums paid to expatriates, members of the Board of Executives.
- preparing recommendations for the Board in all other matters related to the employment and compensation package of the members of the Board of Executives, which would require a resolution of the Supervisory Board.

14.8. Information on Variable Compensation Policy for Executives and Other Individuals Who Have a Significant Influence on the Risk Profile at BNP Paribas Bank Polska SA

The *Variable Compensation Policy for Executives and Other Individuals Who Have a Significant Influence on the Risk Profile at BNP Paribas Bank Polska SA* (hereinafter, the *Variable Compensation Policy*) implemented at the Bank, is a document superior to other documents applied at the Bank with reference to the policy and rules of remunerating employees whose professional activity has a material impact on the Bank's risk profile.

The Bank will publish information concerning the *Variable Compensation Policy* pursuant to KNF Resolution no. 259/2011, including specifically the following:

- information on the *Policy* determination process;
- information on the remuneration evolution;
- information on the performance appraisal criteria, which constitute the basis for rights to compensation components;
- the key parameters and rules of determination of remuneration for individuals holding positions covered by the *Policy*;
- aggregate quantitative information on the amount of remuneration of individuals covered by the *Policy*, broken by business lines;
- aggregate quantitative information on the amount of remuneration of individuals holding positions covered by the *Policy*, broken by members of the Board of Executives, individuals directly reporting to a given member of the Board of Executives and other employees covered by the *Policy*.

The information referred to above will be updated at least once a year. It will be published for the first time after the approval of the 2012 financial statements by the General Meeting.

Once a year, until 31 January, the Bank provides the Polish Financial Supervision Authority with data on the number of the Bank's employees whose aggregate remuneration in the previous year exceeded the equivalent of EUR 1,000,000, along with the information on the positions held by such individuals and the value of the main remuneration items, bonuses and long-term prizes awarded as well as the amount of pension contributions paid. In 2012, there were no such individuals at the Bank.

The basic assumptions of the *Variable Compensation Policy* include:

- *The Policy* supports appropriate and effective risk management, discourages from assuming excessive risk beyond the Bank's risk appetite accepted by the Supervisory Board, supports the implementation of the business strategy and mitigates the conflict of interest;
- The Compensation Committee within the Bank's Supervisory Board issues opinions on the *Policy* functioning, including in particular the remuneration amount and components, and it monitors and issues opinions about variable components of remuneration paid to managers responsible for risk management and compliance of the Bank’s activity with law provisions and internal regulations, including determination of the terms and conditions of remuneration for members of the Bank's Board of Executives. The remuneration amounts for the Supervisory Board members are verified on an annual basis and resolved by the General Meeting of Shareholders.
- The variable compensation is settled in a transparent manner, which means that its amount is determined on the basis of a performance appraisal of every individual covered by the *Policy* and of the given organisational unit, as well as the financial results of the Bank. The Bank's results accepted for determination of variable compensation components take into consideration the Bank’s cost of risk, capital cost and liquidity risk in the long-term horizon. The individual work performance is assessed using financial and non-financial criteria, considering the level of risk arising from that performance.
- The payment of variable compensation depends on approval by the Supervisory Board of the Bank's results for a given period, which the benefit refers to, and the appraisal grade obtained by the employee. The payment of the cumulative variable compensation of individuals covered by the Policy is reduced or withheld in the situation referred to in Art. 142 item 1 of the Banking Law Act.
- At least 50% of the variable compensation constitutes an incentive to pay special attention to the long-term welfare of the Bank. At lease 40% of the variable compensation is paid after the period of evaluation for which the compensation is due, whereas the payment is effected not earlier than within three years in equal annual instalments payable in arrears. If the level of variable compensation, determined every year by the Remuneration Committee, is exceptionally high, 60% of that compensation amount may be paid in accordance with the rules set out herein.
- The Individuals covered by the *Policy* are obliged not to use their own hedging strategies or assurances with respect to their compensation and responsibility which would neutralise the measures taken with respect to the individuals under the *Polic*y, excluding the obligatory assurances arising from specific law provisions.

In 2012, the Board of Executives established the *Financial Risk and Compliance Committee* at the Bank. This Committee advises the Board of Executives and Remuneration Committee as regards compliance of the compensation policy for experts of a given field with the applicable laws and professional standards, adequacy of this Policy and its implementation for the corporate risk policy, consistency between the variable compensation practices and maintenance of an adequate level of equity capital, all and any decisions which require its opinion hereunder.

15. BOARD OF EXECUTIVES' REPRESENTATIONS

Correctness and reliability of reports presented

The Board of Executives of BNP Paribas Bank Polska SA represent that, to the best of their knowledge:

- The separate financial statements of BNP Paribas Bank Polska SA for 2012 and the comparative data were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Bank and its net profit in all material aspects.
- The Board of Executives' report on the activity of BNP Paribas Bank Polska SA in 2012 contains the true picture of the Bank's development and achievements, including a description of basic risks and threats.

Selection of an entity authorised to audit the financial statements

The Board of Executives of BNP Paribas Bank Polska SA hereby represents that Mazars Audyt Sp. z o.o. based in Warsaw, an entity authorised to audit financial statements, was chosen, under Article 15, Section 3, item 8) of the Statute of BNP Paribas Bank Polska SA by the Supervisory Board based on a recommendation given by the Board of Executives and the Audit Committee (Resolution no. 24/2012 dated 23 May 2012 as amended by Resolution no. 41/2012 of 31 August 2012), pursuant to the provisions of law, as the entity to audit the consolidated financial statements of BNP Paribas Bank Polska SA for 2012 and that the above entity and statutory auditors employed to perform the audit meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of Polish law.

Signatures of all Members of the Board of Executives (on the Polish original):

8 March 2013	Frédéric Amoudru President of the Board of Executives	.... signature
8 March 2013	Jan Bujak Senior Vice President of the Board of Executives Financial Director	.... signature
8 March 2013	Jaromir Pelczarski Vice President of the Board of Executives	.... signature
8 March 2013	Michel Thebault Vice President of the Board of Executives	.... signature
8 March 2013	Wojciech Kembłowski Member of the Board of Executives	.... signature
8 March 2013	Marta Oracz Member of the Board of Executives	.... signature
8 March 2013	Adam Parfiniewicz Member of the Board of Executives	.... signature
8 March 2013	Stéphane Rodes Member of the Board of Executives	.... signature